



## Covered Bond & SSA View

NORD/LB Floor Research

# Agenda

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# Covered Bonds

## Market overview

Authors: Lukas Kühne // Dr Norman Rudschuck, CIIA

### **Primary market: first signs of saturation tendencies**

After a busy January, issuance momentum remained strong in the last two weeks. Over the past ten trading days, a total of 17 issuers from 13 jurisdictions were active on the market, placing bonds with a total volume of EUR 14.3bn. With fresh supply remaining at a high level, the first signs of saturation are slowly starting to appear on the investor side. Accordingly, the average bid-to-cover ratio for the 17 deals covered in this present edition of our weekly publication fell to 2.5x, after reaching 4.2x for the month of January. Investors are operating on an increasingly spread-sensitive basis, which for some deals has led to significant declines in orders after the spread was fixed. Nevertheless, most issuers managed to price their new issues close to their respective fair value, with new issue premiums ranging between -1bp and +2bp. In this sense, we would tend to describe this as a normalisation of demand and not a significant decline in the attractiveness of covered bonds at present. Due to the high number of deals seen over the past ten trading days, we only highlight selected transactions and refer to the overview table on the following page for a detailed overview. In the past couple of weeks, the four dual tranches from Denmark, the UK, Switzerland and Spain caught the eye in particular. In each case, the issuers opted for one shorter and one longer maturity in a range between 3.3y and 10.0y. UBS from Switzerland was active in the market with two deals featuring maturities of 3.5y and 7.0y. In the absence of covered bond legislation, UBS issues covered bonds on a contractual basis. The same applies to Japan's Sumitomo Mitsui Banking Corp (Sumitomo Mitsui; cf. [Issuer View](#)), which placed its first EUR benchmark of the year with investors on 04 February. In contrast to UBS, Sumitomo Mitsui's cover pool consists exclusively of residential mortgage-backed securities (RMBS). During the marketing phase, the bank successfully reduced the spread by eight basis points to ms +34bp. Further dual tranches were placed by Banco Santander (ES) and its UK subsidiary, Santander UK. Among other aspects, the considerable demand for the deals from both issuers can, in our view, be explained by the limited fresh supply from these two covered bond jurisdictions so far this year. For example, Santander UK placed the first EUR benchmarks from the UK this year, while Banco Santander's dual tranche was the second and third deal from Spain so far in 2026. Given the high deposit base and favourable refinancing conditions away from covered bonds, we are only expecting additional issues in the amount of EUR 2.0bn from Spain in 2026. Yesterday (17 February), we also welcomed the first deal from a Czech issuer on the market this year in the shape of UniCredit Bank Czech Republic and Slovakia (ticker: UNICZ; cf. [Issuer View](#)). This generated strong investor interest, which meant that the spread was reduced by seven basis points compared with the guidance (ms +42bp area). In the end, the issuer raised a sum of EUR 750m at a reoffer spread of ms +35bp.

Issuer	Country	Timing	ISIN	Maturity	Size	Spread	Rating	ESG
ASB Bank	NZ	17.02.	XS3302885408	5.5y	0.50bn	ms +31bp	AAA / Aaa / -	-
UNICZ	CZ	17.02.	XS3300299354	5.0y	0.75bn	ms +35bp	- / Aa1 / -	-
Banco Santander	ES	16.02.	ES04139000E9	10.0y	1.00bn	ms +36bp	- / Aaa / -	-
Banco Santander	ES	16.02.	ES04139000D1	5.0y	1.50bn	ms +22bp	- / Aaa / -	-
UBS Switzerland	CH	11.02.	CH1522231310	7.0y	0.75bn	ms +38bp	AAA / - / -	-
UBS Switzerland	CH	11.02.	CH1522231302	3.5y	0.75bn	ms +21bp	AAA / - / -	-
Macquarie Bank	AU	11.02.	XS3298795348	5.0y	0.65bn	ms +27bp	AAA / Aaa / -	-
UniCredit Bank Austria	AT	11.02.	AT000B049994	5.0y	0.75bn	ms +22bp	- / Aaa / -	-
Santander UK	GB	10.02.	XS3295866779	3.3y	1.25bn	ms +16bp	AAA / Aaa / AAA	-
Santander UK	GB	10.02.	XS3295866183	7.0y	1.00bn	ms +30bp	AAA / Aaa / AAA	-
CA Home Loan	FR	09.02.	FR0014016606	5.4y	1.25bn	ms +23bp	AAA / Aaa / AAA	-
ING-DiBa	DE	09.02.	DE000A2YNWF0	10.0y	0.75bn	ms +29bp	- / Aaa / -	-
Aktia Bank	FI	09.02.	XS3291934209	7.0y	0.50bn	ms +25bp	- / Aaa / -	-
Danske Bank	DK	06.02.	XS3296428017	8.0y	0.75bn	ms +25bp	- / - / AAA	-
Danske Bank	DK	06.02.	XS3295888237	4.0y	0.75bn	ms +14bp	- / - / AAA	-
Sumitomo Mitsui	JP	04.02.	XS3272215743	5.0y	0.85bn	ms +34bp	- / Aaa / -	-
OTP Jelzalogbank	HU	04.02.	XS3282211286	6.3y	0.50bn	ms +53bp	- / A1 / -	-

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

### **Secondary market: spread performance of new deals limited**

New issues continue to be well received by the market and generally speaking can still perform well in secondary trading. Overall, however, the performance of the new deals over the past couple of weeks has been severely limited and amounted to just a few basis points (average of the 17 new deals: -1.0bp). The trading volume increased slightly at the start of the new week but remains below average overall. At present, demand is more focused on longer maturities, with a particular emphasis on Pfandbriefe.

### **Sub-benchmark segment: active weeks in this market**

A total of five issuers came to market with fresh covered bonds in sub-benchmark format over the past ten trading days. In geographical terms, two issuers came from Germany and Finland in each case, with an Icelandic issuer rounding off this quintet. From Germany, two Pfandbrief issuers in the shape of Sparkasse KölnBonn and Sparkasse Pforzheim Calw (cf. [Issuer View](#)) approached investors. Both issuers limited the final size of their new deals to EUR 250m upon opening the books. The two Pfandbrief issuers were each able to reduce the spread by seven basis points across the course of the marketing phase. Sparkasse KölnBonn ultimately placed its deal (7.0y) at a reoffer spread of ms +23bp, while Sparkasse Pforzheim Calw priced its Pfandbrief at ms +15bp. In contrast, the trio of issuers from the Nordics – which included the two Finnish sub-benchmark issuers Suomen Hypoteekkiyhdistys and Ålandsbanken, as well as the Icelandic Arion Bank – all opted for an issue volume of EUR 300m. While the Finnish banks rank among the regular issuers in this market segment, Arion Bank had previously only been active in the EUR benchmark segment with one deal (dating back to 2021). Arion Bank's inaugural EUR sub-benchmark deal (5.0y) was placed on Tuesday (17 February) and attracted strong investor interest, which triggered spread tightening of seven basis points to ms +40bp.

**Parliamentarians welcome adjustment to the risk weight of covered bonds and propose lowering the LGD value**

As part of the revision of the Securitisation Directive, a reduction from 10% to 5% of the risk weight for covered bonds under Article 129 CRR is now also being discussed. Initial comments from the [European Parliament](#) on the proposed adjustments to the securitisation framework have now been made public. Generally speaking, these comments tend to be in favour of the proposed reduction in the risk weight and also suggest lowering the Loss Given Default (LGD) value. This currently stands at 11.25% under the IRB standard approach for covered bonds (Article 161 CRR). According to Ralf Seekatz (rapporteur of the ECON Committee and Member of the European Parliament), the LGD value for covered bonds defined in Article 129 CRR should be reduced to 5.625% in order to reflect the adjustments to capital requirements for high-quality securitisations, also under the IRB standard approach. This would serve to prevent the potential for unequal treatment between the two asset classes. In our view, lowering the LGD value would be a logical step following a possible adjustment to the risk weight for European covered bonds. We regard the statements from the European Parliament as an initial positive signal that a reduction in the risk weight for covered bonds is not being ruled out as part of the reform of the legal framework for securitisations. However, the legislative process is far from complete; both the parliamentary debate and the trilogue negotiations remain ongoing and these have the potential to bring about further adjustments.

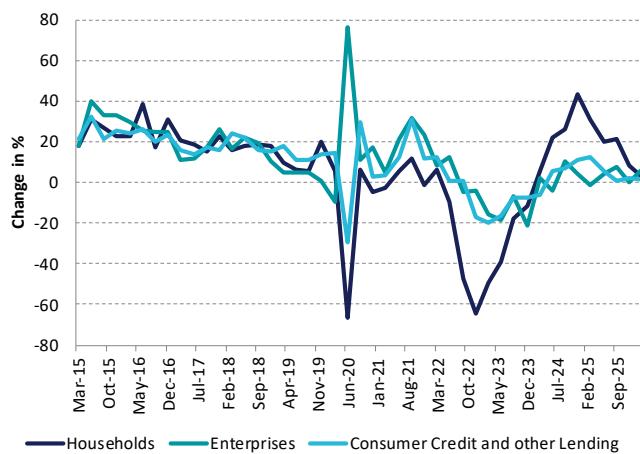
**Fitch: Australian covered bond programmes in the spotlight**

The rating experts from Fitch recently presented a Peer Credit Analysis for the covered bond programmes of [mid-sized](#) and [large](#) Australian credit institutes. Fitch rates a total of ten covered bond programmes of nine Australian issuers, four of which Fitch classifies as large banks and five as mid-sized banks. Fitch awards all of these issuers its top rating of AAA for their mortgage-backed covered bond programmes. In 2025, the Reserve Bank of Australia cut its key interest rate by 75 basis points to 3.6%, which Fitch believes should reduce the probability of default on the part of borrowers. This assessment is based in particular on the predominantly variable-rate loans held in the cover pools. In terms of changes to its rating methodology for covered bonds, the rating agency notes an increasing gap between the overcollateralisation (OC) ratio required to maintain the rating and the actual OC ratio reported by the banks. However, in the wake of the adjusted rating methodology, the Payment Continuity Uplift (PCU) rating for all soft bullet covered bond programmes rated by Fitch remains unchanged at six notches, and at eight notches for conditional pass-through (CPT) programmes. At present, it is only Bank of Queensland that has outstanding covered bonds in CPT format. According to Fitch, the significant increase in loan growth at mid-sized banks (+7.4% Y/Y) across the third quarter of 2025, supported by strong demand and falling interest rates, will lead to increased issuance capacity on the part of Australian issuers.

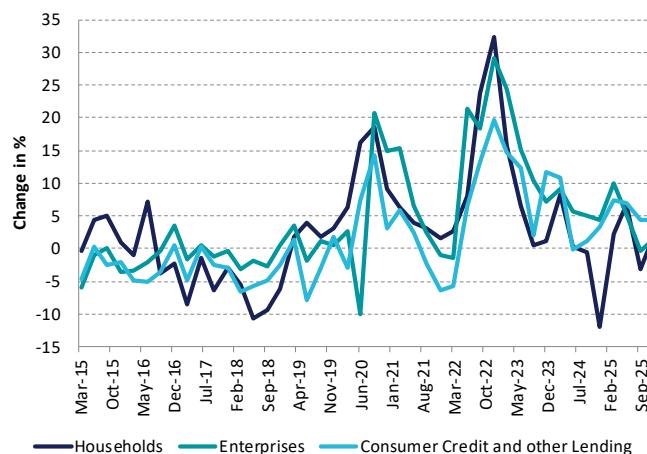
### ECB presents Bank Lending Survey for Q4/2025

The evaluations of the most recent responses to the ECB Bank Lending Survey (ECB BLS) were presented on 03 February (cf. [press release](#)). The data includes responses from 153 banks in the Eurozone (survey period: 15 December to 13 January). These banks reported an unexpectedly sharp tightening of credit standards for corporate lending in the fourth quarter of 2025, after European banks had projected largely unchanged conditions in the previous ECB BLS report. The banks attested to a similar trend in relation to credit standards for consumer and other household loans, which also tightened slightly. According to the ECB, the tightened credit standards can primarily be attributed to concerns about the future performance of businesses and the economy at large. In contrast, the banks reported a slight easing of credit standards for loans to purchase residential property in Q4/2025, although this was not uniform across all Eurozone countries. While looser standards were observed in France, they tightened in Germany and remained largely unchanged in Spain and Italy. For the first three months of 2026, the surveyed banks anticipate a further tightening of credit standards across all asset classes, whereby this trend is expected to be more pronounced for consumer and corporate loans than for residential mortgages. Demand for residential mortgages lost momentum in the fourth quarter but does still remain in positive territory. Conversely, corporate loans saw a slight increase in demand, while consumer loans experienced a decline. In Q1/2026, European banks anticipate that demand for loans will rise slightly across all asset classes, although demand for residential mortgages is expected to lose further momentum. In response to ad-hoc questions, the participating banks reported slightly improved refinancing conditions in the area of wholesale funding, particularly for medium and long maturities. From our perspective, this can be seen as generally positive news for the covered bond market and could provide a reason for the increased issuance of longer-term bonds at the beginning of the year.

#### ECB BLS: change in demand (anticipated)



#### ECB BLS: change in credit standards (anticipated)



Source: Bloomberg, ECB, NORD/LB Floor Research

# SSA/Public Issuers

## Market overview

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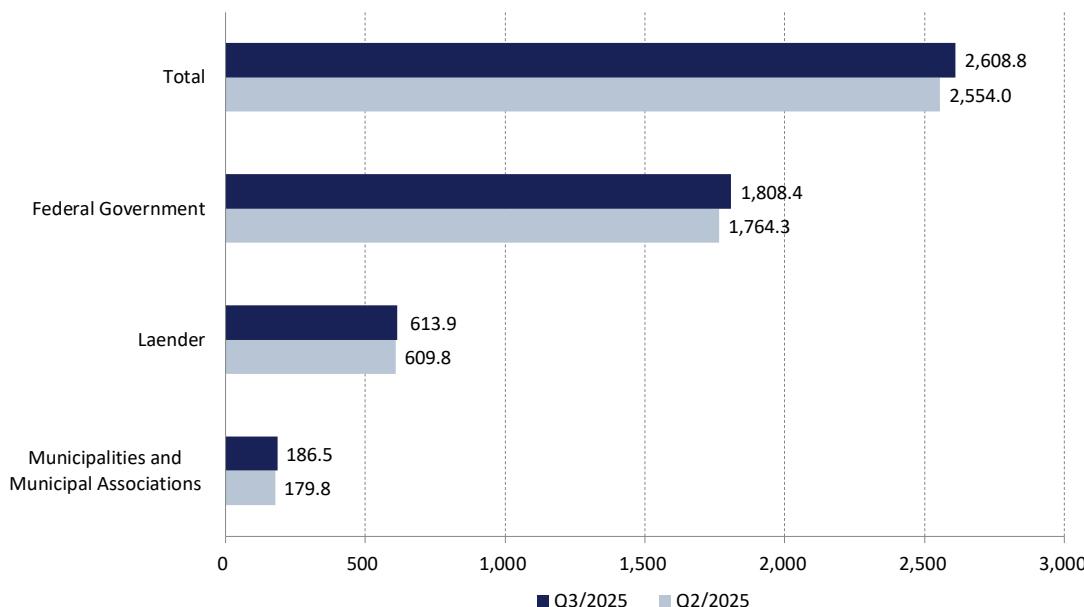
### **KfW: promotional lending figures for 2025**

In the course of its press conference marking the start of the new year, Kreditanstalt für Wiederaufbau (KfW, ticker: KFW) announced a realignment of its promotional funding within Germany, its overseas business and its internal processes. In doing so, Germany's largest promotional bank aims to amplify its contribution to reinforcing Germany as an economic and industrial location and supporting the state in accelerating growth. In addition to positioning itself strategically for the future, KfW provided insight into the previous year's financials. Overall, KfW reports a "strong" year in 2025: its core business, namely providing promotional funding within Germany in the form of loans and subsidies, increased by around +33% year on year to EUR 61.0bn (2024: EUR 45.8bn). However, at EUR 62.0bn, total new domestic business was down on the level of 2024 (EUR 79.0bn). The previous year's substantial figure was, however, significantly affected by non-recurring effects from allocations by the federal government (2025: EUR 1.1bn; 2024: EUR 33.2bn). This also had an impact on the figure for total new business at KfW in 2025: at EUR 98.0bn, this failed to achieve the figure for the previous year (2024: EUR 112.8bn). In contrast, Group-wide new business excluding allocations increased by +25.1% to EUR 96.9bn (2024: EUR 79.6bn). Funding commitments to developing and emerging countries reached EUR 12.3bn in total (2024: EUR 10.3bn). Less than a third of commitments stemmed from the federal budget, while the overwhelming majority were KfW funds. As far as refinancing is concerned, KfW raised EUR 71.0bn in ten different currencies on international capital markets in 2025 (2024: EUR 78.1bn). The majority (58%) of the amount was attributable to the EUR as the major funding source, while the USD accounted for 24%. Meanwhile, the equivalent of EUR 14.0bn was raised via [Green Bonds – Made by KfW](#) in eight currencies. The aggregated new issuance volume of the green bonds issued since 2024 stood at around EUR 97bn at the end of 2025. The agency announced a funding target of EUR 75-80bn for the current year – of which EUR 15bn is to be raised from green bonds. As of mid-February, it had already raised almost EUR 25.0bn on the capital market – for example via a dual tranche worth EUR 10bn (cf. [weekly publication dated 14 January](#)), among other deals. At the beginning of February, KfW also approached the market with another green EUR benchmark (7y) in the amount of EUR 5bn at a reoffer spread of ms +10bp (cf. [primary market](#) section). As a result of this issue, the promotional bank has now exceeded the figure of EUR 100bn for its total volume of green bonds. In addition, KfW has issued green bonds in AUD, SEK and CNY since the beginning of the year. As a result, the capital raised via green bonds in 2026 comes to the equivalent of around EUR 6bn to date. Stefan Wintels, CEO of KfW, expressed his satisfaction, "Our promotional programmes and sustained strong demand on the capital market clearly demonstrate that both borrowers and investors are continuing to invest specifically in protecting the climate and the environment. As a promotional bank, we are thus supporting the transition to a climate-neutral economy on the supply and demand side, and we shall continue resolutely on this path."

### Public sector debt rises by +2.1% in Q3/2025

At the end of January, the Federal Statistical Office presented the provisional figures for the total public sector budget for Q3/2025. The data shows that the total public sector budget – i.e., federal government, Laender, municipalities and municipal associations as well as the social insurance system including subsidiary budgets – owed a total of EUR 2,608.8bn to the non-public sector (including financial institutions and private companies in Germany and abroad) at the end of Q3/2025. The level of debt therefore increased by EUR +54.8bn or +2.1% compared with the previous quarter. At the level of the federal government, debt increased by EUR +44.0bn (+2.5%) compared with Q2/2025 to stand at EUR 1,808.4bn and was significantly affected by the “German Armed Forces special fund”, the debt level of which increased by +17.4% to EUR 33.2bn. By contrast, borrowing by the Laender only increased slightly in total, by +0.7%, compared with the previous quarter and came to EUR 613.9bn at the reporting date. While Baden-Wuerttemberg (+8.7%), Hesse (+2.8%) and Brandenburg (+2.5%) reported the largest percentage increases, borrowing compared with Q2/2025 fell most sharply in Lower Saxony (-3.6%), Saarland (-3.1%) and Schleswig-Holstein (-2.8%). The increase in Baden-Wuerttemberg was caused, among other factors, by a capital increase at the energy supplier “EnBW Energie Baden-Württemberg AG”, whereas the decline in Lower Saxony was largely due to the fact that no new loans were raised and higher repayments were made. In the case of municipalities and municipal associations, borrowings at the end of Q3/2025 increased by +3.7% to EUR 186.5bn. Here, too, the municipalities and municipal associations in Baden-Wuerttemberg reported the largest percentage increase in borrowing (+13.0%) as a result of the above-mentioned capital increase. By contrast, a reduction in borrowing – as was the case in Q1/2025 and Q2/2025 – was only reported in Thuringia (-2.1%). The debts of the social insurance system – not shown in the diagram below – fell by EUR -0.2m (-1.7%) compared with the previous quarter in Q3/2025 and stood at only EUR 9.6m.

#### Total public sector borrowing (EURbn)



**EUROFIMA publishes its Annual Engagement Report 2025**

The European Company for the Financing of Railroad Rolling Stock (EUROFIMA, ticker: EUROF) has presented its Annual Engagement Report 2025, in which it submitted the results of its fourth investor engagement cycle. It stated that 2025 marked a crucial milestone in the context of implementing its stewardship strategy: namely, moving away from primarily dialogue-oriented engagement as an ongoing process to engagement as an instrument with a results and impact-oriented approach. According to the report, active engagement was maintained on an unchanged basis compared with the previous year through eleven associate companies. The results show that more than half the multi-year engagements were completed successfully. Specifically, 55% of the companies met the jointly agreed sustainability targets, managed the identified ESG risks appropriately and improved the transparency of their reporting to an appropriate level. However, four companies (around 36%) have not (yet) achieved all objectives despite making tangible progress. Across 2026, these engagements will continue to support the transformation processes already underway. Following three years of unsuccessful engagement, an associate company was also formally classified as “failed” for the first time in 2025 – due, among other factors, to an unwillingness to address sustainability risks appropriately and insufficient action plans. Given this, it was excluded from the investment universe in January 2026 and the active business relationship was terminated.

**LfA Förderbank Bayern presents promotional funding statement for 2025**

On 03 February, LfA Förderbank Bayern (ticker: BAYLAN) presented its promotional funding statement for 2025, which revealed a successful year. Lending to companies and local authorities in Bavaria increased by +46% year on year to around EUR 2.5bn in total. Of this figure, almost EUR 2.2bn was made available as part of programme-linked promotional loans, the amount of which increased by more than +58% year on year (2024: 1.35bn). In total, some 4,000 (2024: 3,500) companies and local authorities made use of the LfA’s support programmes. Increased demand was apparent across virtually all segments and was largely attributable to the expansion and optimisation of the programme range that took place in spring 2025 – through making programmes available to larger SMEs and increasing loan ceilings, for example. The reduction in the EU reference interest rate also had a positive impact on demand for promotional funding. With lending of around EUR 960m, the start-up and growth loan programme (GuW) for start-ups, corporate successions as well as SMEs and freelancers constituted the largest area for promotional funding. The repositioned support for innovation and digitalisation programmes also recorded a sharp increase in demand, resulting in its commitments more than doubling compared with the previous year, at over EUR 515m. Meanwhile, loan commitments for promotional funding for energy and climate protection came to just under EUR 200m. Dr Bernhard Schwab, Chair of the LfA Management Board, expressed his satisfaction: “With the opportunities for promotional funding expanded by the Bavarian government, LfA can become more effectively involved in supporting Bavarian SMEs. Happily, the comprehensive development of LfA as the bank that will support the transformation of Bavaria’s SMEs is demonstrating rapid results. In particular, companies are taking full advantage of the significantly higher loan ceilings.”

**Primary market**

Having paused our publication while various business trips took place, we shall now, as usual, look back at the issues in the SSA segment over the past two trading weeks: we had already referred to the mandates for the issue of a [green bond](#) (long 7y) secured by KfW (ticker: KFW) in our last edition. For this transaction, KfW ultimately opted for an amount of EUR 5bn, which was raised at ms +10bp (guidance: ms +12bp area; order book: EUR 25.9bn). Another German issuer, the Free and Hanseatic City of Hamburg (ticker: HAMB RG) also approached investors with its first benchmark (EUR 500m; 2y) this year. With guidance of ms +1bp area, the order book reached EUR 1.0bn at the end of the marketing phase, meaning that the deal was completed at ms flat. We also have two issues from Italy on our notepad, both from the agency segment: while Acquirente Unico (ticker: ACQUIU) raised EUR 600m (7y) at BTPS +45bp (guidance: BTPS +60bp area) (corresponded to ms +80bp at the time of issue), Cassa Depositi e Prestiti (ticker: CDEP) opted to place a deal worth EUR 750m (8y) as a [social bond](#). The deal was completed at BTPS +19bp, which equated to approximately ms +64bp (IPT: BTPS +26bp area; order book: EUR 4.5bn). In the previous week, SAGESS (ticker: SAGESS), the French administrator of strategic oil reserves, also made an appearance, raising EUR 500m (long 7y) at OAT +18bp, which equated to around ms +60bp at the time of issue. With an order book of EUR 7.2bn, the reoffer spread narrowed by six basis points compared with the guidance. Yesterday (Tuesday, 17.02.), Finland's MuniFin (ticker: KUNTA) put its money where its mouth is and placed its first EUR benchmark (EUR 1bn; long 7y) in 2026. It was priced at ms +21bp (guidance: ms +25bp; order book: EUR 8.8bn). Fresh supply in the ESG segment came on the same day from the Autonomous Community of Madrid (ticker: MADRID), which met its capital requirements by issuing a [sustainability bond](#) (10y) worth EUR 1bn at SPGB +5bp (corresponded to around ms +45bp) (guidance: SPGB +10bp area). The French local authority Ville de Paris (ticker: VDP) also opted for a [sustainability bond](#) for its transaction, albeit in the sub-benchmark segment. It issued EUR 350m (20y) in line with guidance at OAT +9bp or ms +102bp. Proceedings in the EUR sub-benchmark segment were rounded off by Hamburgische Investitions- und Förderbank (ticker: IFBHH), which raised EUR 250m (10y) at ms +28bp through a [social bond](#) (guidance: ms +29bp area). At the supranational level, the EU (ticker: EU) ventured onto the market with a dual tranche and increased its 2032 bond by EUR 6bn at ms +17bp (guidance: ms +19bp area), while its 2045 bond was increased by EUR 5bn at ms +70bp (guidance: ms +72bp area). The order books totalled EUR 89bn and EUR 83bn respectively. Looking to the future, we would like to draw attention to the EU's second bond auction in H1/2026 on 23 February (cf. [funding plan](#)). In terms of new mandates, the promotional bank Bpifrance (ticker: BPIFRA) is planning to issue a [European Green Bond](#) (EUR 1bn; 10y) and has been holding discussions with investors for this purpose since 16 February. Additional new mandates have been issued by FLEMSH (BMK, long 10y) and NIESA (BMK, 8y).

Issuer	Country	Timing	ISIN	Maturity	Size	Spread	Rating	ESG
MADRID	ES	17.02.	ES00001010S1	10.2y	1.00bn	ms +45bp	A- / A3 / A	X
KUNTA	Nordics	17.02.	XS3303588829	7.3y	1.00bn	ms +21bp	- / Aa1 / AA+	-
SAGESS	FR	12.02.	FR0014016EE4	7.3y	0.50bn	ms +60bp	- / - / A+	-
CDEP	Other	09.02.	IT0005695553	8.0y	0.75bn	ms +64bp	BBB+ / - / BBB+	X
HAMB RG	DE	05.02.	DE000A3MQTP1	2.0y	0.50bn	ms flat	AAA / - / -	-
ACQUIU	Other	04.02.	XS3289609151	7.0y	0.60bn	ms +80bp	- / - / BBB+	-
KFW	DE	04.02.	XS3292846030	7.1y	5.00bn	ms +10bp	- / Aaa / AAA	X

## Covered Bonds

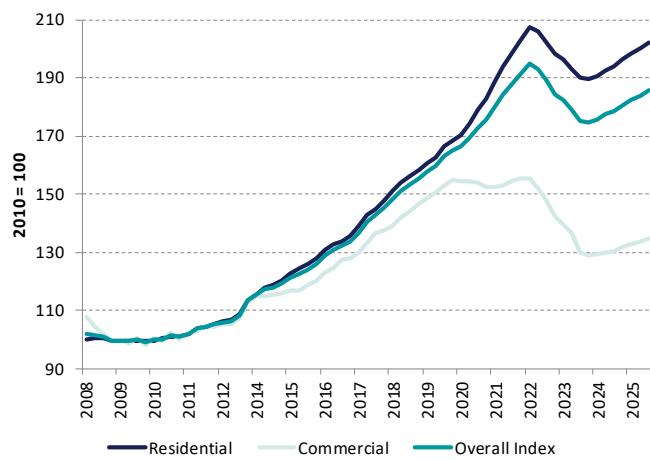
### Development of the German property market (vdp index)

Authors: Lukas Kühne // Dr Norman Rudschuck, CIA

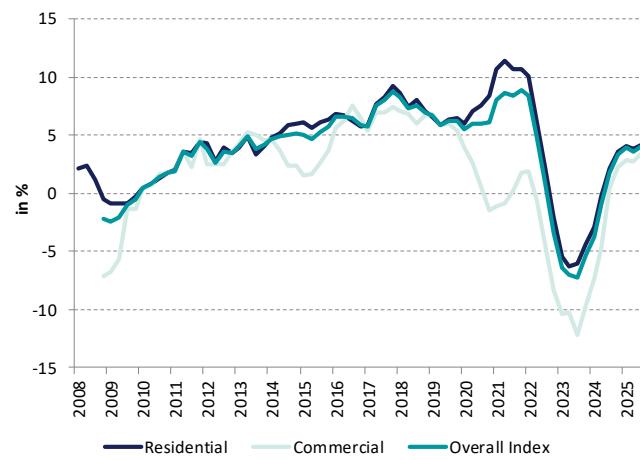
#### vdp: Property Price Index climbs to 185.6 points

At the beginning of last week, the Association of German Pfandbrief Banks (vdp) presented the latest figures for price trends on the German property market. The latest information on the vdp property price index relates to Q4/2025. The vdp property price index is based on real transaction data and therefore reflects actual purchase prices and rents. The data is based on information from more than 700 credit institutions in Germany. In the fourth quarter of 2025, the overall index rose for the seventh consecutive quarter (+1.0% Q/Q) to its current level of 185.6 points (baseline year 2010 = 100 points) and is now less than ten points below its peak in Q2/2022 (194.8 points). The overall index was therefore +7.2 points higher than at the end of 2024. The year-on-year increase was driven by positive developments in both residential property prices (+4.2%) and commercial property prices (+3.5%). On a quarterly basis, the price increase for residential property (+1.0%) was also slightly stronger than for commercial property (+0.9%). In our view, the continuing upward trend in property prices suggests a sustained recovery in the German property market. These signs of recovery are mainly driven by the development of residential property prices but are increasingly supported by commercial property as well.

#### Index: overall, residential and commercial



#### Index change Y/Y: overall, residential and commercial



Source: vdp, NORD/LB Floor Research

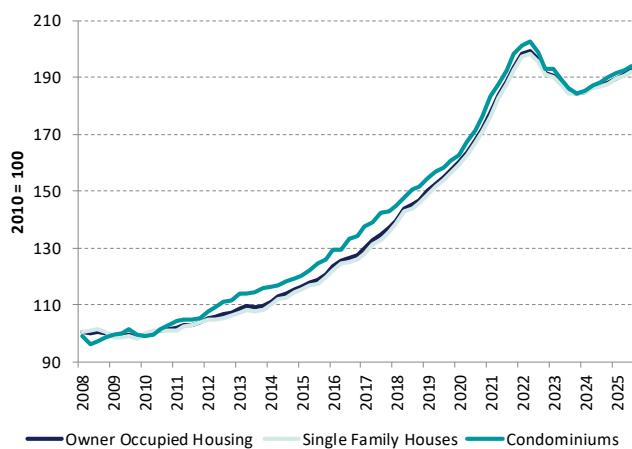
#### Residential properties: multi-family houses rise by +5.3% in 2025 (Y/Y)

In the residential property segment, the sub-category multi-family housing accounted for the strongest growth (+5.3% Y/Y or +1.2% Q/Q), while an increase of +3.0% year on year (+0.8% Q/Q) was reported for owner-occupied housing (single-family houses and condominiums). This means that the upward trend continued unabated in all the residential property classes under review in the new reporting year.

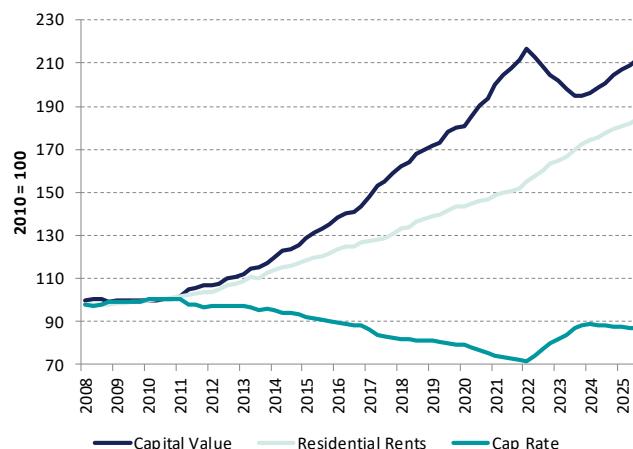
### vdp: housing shortage expected to remain a price driver in the property market in 2026

In the latest [press release](#), vdp Chief Executive Jens Tolckmitt states with regard to 2025 that the recovery phase in the property market has continued, "but considerably less strongly than in the low interest rate phase". While he sees this trend continuing for residential property in 2026, he thinks it is harder to predict how prices for commercial property will develop. Tolckmitt also emphasises that creating affordable housing should be a priority for political players in 2026. The government has provided initial impetus by passing the "Construction Turbo" legislation (which allows local authorities to significantly accelerate certain construction projects). This will now need to be implemented quickly and supplemented with further measures. Added to this, scaling back building standards in a targeted manner, resolute economic policy stimulus and "banking regulation with a sense of proportion" would be important measures. According to Tolckmitt, removing obstacles to home ownership could also reduce the pressure on the rental housing market.

#### Owner-occupied housing



#### Multi-family housing



Source: vdp, NORD/LB Floor Research

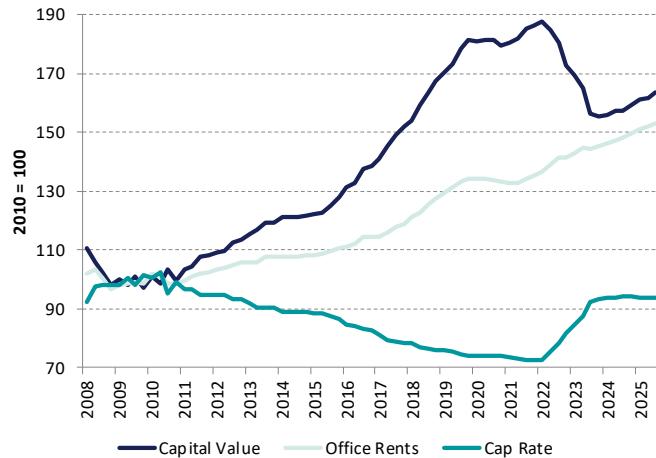
#### Top 7 housing markets: price trends sustained in all major cities

Prices for residential properties in the top 7 cities (Berlin, Düsseldorf, Frankfurt am Main, Hamburg, Cologne, Munich and Stuttgart) rose by an average of +4.7% year on year, slightly above the national average. The price increases were the most pronounced in Frankfurt am Main (+5.7% Y/Y), while Stuttgart (+2.2% Y/Y) posted the smallest increase. In terms of new rental contracts, the vdp figures show an average increase of +3.5% (Y/Y) in the top 7 cities.

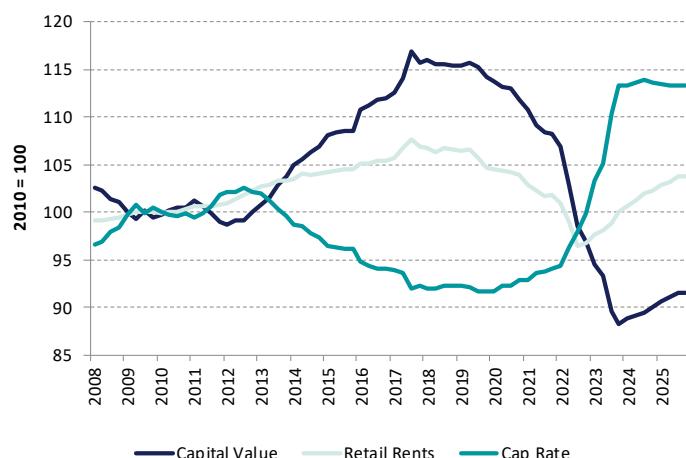
#### Positive development of commercial property prices in 2025

Commercial property prices saw a steady rise throughout 2025 that was driven by both office and retail properties, resulting in an increase of +3.5% compared with Q4/2024. Prices rose for both office buildings (+3.9% Y/Y and +1.1% Q/Q) and retail buildings (+2.3% Y/Y and +0.6% Q/Q). Accordingly, we would describe the trend on the commercial property market as positive, even though the overall economic situation in Germany presents an element of uncertainty. New rental contracts also continued their upward trend in the commercial property sub-segment. At +3.3% year on year, the increase in office rents was more pronounced than for retail properties compared with the same quarter of the previous year (+1.8% Y/Y).

## Office buildings



## Retail buildings



Source: vdp, NORD/LB Floor Research

## Conclusion

In its press release, the vdp refers to a sustained upward trend in the German property market. While this is mainly driven by developments in residential property prices, the situation for commercial property is also more positive than in the previous year. As a result of the ongoing housing shortage, vdp Chief Executive Jens Tolckmitt expects further price increases for residential property in 2026, while the development of commercial property is more difficult to predict. Nevertheless, developments in both asset classes show a continuous upward trend. A similar picture emerges for new rental contracts. Here, too, the largest increases are in rented apartments, while the momentum with regard to new retail property rents is less pronounced. Despite the positive price trend, Tolckmitt believes that the housing shortage will remain one of the most important political challenges in 2026. The “Construction Turbo” legislation has provided initial impetus here, but as Tolckmitt explains further, this will need to be accompanied by additional supporting measures.

## SSA/Public Issuers

### Credit authorisations of the German Laender for 2026

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

#### **(Gross) credit authorisations in excess of EUR 99bn expected**

The German Laender have (largely) completed and, above all, published their credit planning for 2026 very early this year. Except for Baden-Wuerttemberg, figures for credit authorisations in 2026 were already available for all sub-sovereigns at the beginning of February. The data, the gross numbers for which can be viewed in the broadest sense as funding targets, in the past mostly provided a comparatively good indicator of how active the Laender were likely to be on the capital markets during the year. This planning also includes SSD deals and private placements – and does not necessarily have to be used in full, as has been consistently demonstrated in recent years: the gross figure currently aggregated across 15 Laender stands (provisionally) at EUR 72.1bn for the current year. However, our presentation does not yet include the approval of Baden-Wuerttemberg's budget, which has traditionally represented the largest amount amongst the Laender since the pandemic. We expect this to be around EUR 27bn, which would take the total amount for all 16 sub-sovereigns to just over EUR 99bn. This year, the budgets for the Laender will be prepared entirely against the backdrop of the additional annual new borrowing leeway of 0.35% of GDP, which was incorporated into financial planning at Laender level with the reform of the debt brake adopted in March 2025. In this context, the gross figure is likely to appear rather modest, even taking into account the EUR 27bn we forecast from BADWUR, although the currently reported net amount of EUR 18.5bn is the largest figure since 2021 (EUR 42.7bn) and is actually twice as high as the previous year.

#### **German Laender credit authorisations 2026 (EURbn)\***

	<b>Gross</b>	<b>Net</b>
Baden-Wuerttemberg		
Bavaria	0.7	-0.1
Berlin	10.0	4.0
Brandenburg	2.9	1.3
Bremen	1.6	0.3
Hamburg	5.3	2.6
Hesse	6.7	1.7
Mecklenburg-Western Pomerania	1.0	1.0
Lower Saxony	9.4	1.7
North Rhine-Westphalia	18.0	4.0
Rhineland-Palatinate	5.5	0.4
Saarland	2.0	0.1
Saxony	0.5	0.0
Saxony-Anhalt	3.1	0.0
Schleswig-Holstein	3.6	0.6
Thuringia	1.8	0.9
<b>Total</b>	<b>72.1</b>	<b>18.5</b>

Source: Bloomberg, NORD/LB Floor Research

\* Some figures may be rounded or preliminary figures

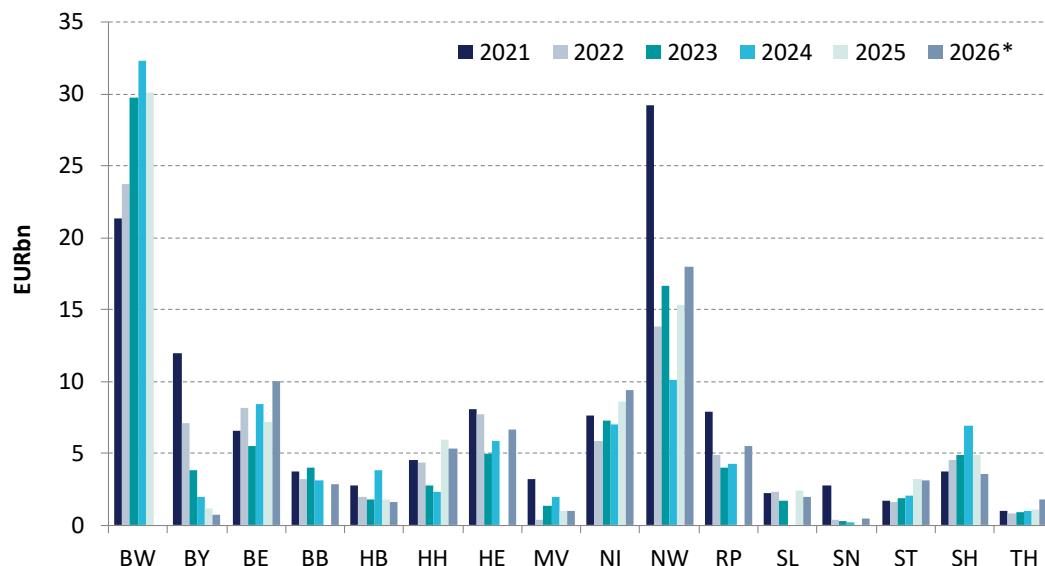
### Baden-Wuerttemberg is “hoarding”

In the past, NRW consistently had by far the highest gross figure amongst the Laender. In 2022, there was a change in terms of the presentation of the figures and the published credit authorisations. In the form in which they are presented, they can no longer be taken at face value for individual Laender, above all Baden-Wuerttemberg: BADWUR planned for EUR 23.78bn in 2022, but ultimately did not issue a single benchmark bond. Instead, the EUR 14.6bn special loans approved to combat the COVID-19 pandemic were completely postponed, as they were not really needed despite the financial difficulties at the time. The German Taxpayers’ Association put the deferred borrowing at the end of 2022 at EUR 23.6bn. The [Study](#) shows that Baden-Wuerttemberg is actually “hoarding” these authorisations for subsequent financial years, thereby enabling its future budget management to formally comply with the debt brake. In reality, this budget management represents a breach of the debt brake. In the spirit of the budget principle of budgetary clarity, these credit authorisations should be withdrawn as quickly as possible. But we should also remember that a debt repayment of around EUR 0.2bn per year was or is planned in the state budget for 2025 and 2026.

### Current status of funding activities

Ten Laender have already been active on the SSA primary market this year with EUR benchmark transactions totalling EUR 12.5bn. NIESA raised the largest volume to date with a dual tranche of EUR 3bn, followed by BERGER (EUR 2bn, one ISIN) and BADWUR (EUR 1.75bn, two ISINs). In total, the German sub-sovereigns have brought 12 new bonds to market so far in 2026. Even though the volumes raised via EUR benchmark bonds have so far not lived up to expectations, some Laender are probably already more advanced in their funding activities, as sub-sovereigns are likely to have raised additional amounts, in particular via private placements and SSDs. In spite of this, we still see significantly more potential and expect a considerable amount of fresh supply during the remainder of the year.

### Credit authorisations of the German Laender over time



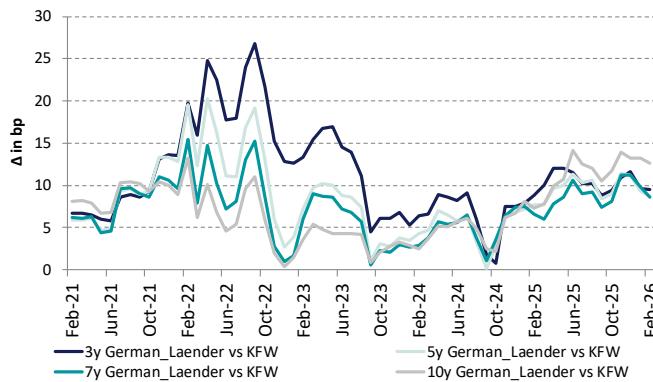
Source: Bloomberg, NORD/LB Floor Research; \* some figures may be rounded or preliminary figures

BW = BADWUR, 3BY = BAYERN, BE = BERGER, BB = BRABUR, HB = BREMEN, HH = HAMBURG, HE = HESSEN, MV = MECVOR, NI = NIESA, NW = NRW, RP = RHIPAL, SL = SAARLD, SN = SAXONY, ST = SACHAN, SH = SCHHOL, TH = THRGN

### Relative value classification and spread outlook

Even though we expect Laender supply to increase this year compared with 2025, given the reformed debt brake and necessary investments in infrastructure, the start to the year was rather subdued. In this respect, the pace is likely to pick up noticeably in the coming months. The supply of new bonds met with correspondingly high demand from investors (primarily savings banks and bank treasuries) and was therefore very well absorbed. We anticipate that the strong domestic investor base will continue to ensure that future supply is also well received. From a relative value perspective, German Laender currently still appear to be attractive compared to KfW. In the ten-year maturity segment, the pick-up of the sub-sovereigns is currently 12.6bp, slightly above the average for the past twelve months (02/2025-01/2026: 11.4bp). Even though Germany's largest promotional bank has raised its funding target to EUR 75-80bn (2025: EUR 65-70bn), we believe that the market will therefore price in a comparatively stronger increase in the Laender supply. Should KfW's funding requirements increase significantly in future as a result of the federal government's planned fiscal package, this is likely to open up new opportunities for the Laender to outperform. In addition, the results of the ["Joint Economic Forecast"](#), which could potentially project higher-than-expected tax revenues, may reduce the need for capital market funding by the Laender and support spreads.

#### Relative value: Laender vs. KfW



Source: Bloomberg, Markit, NORD/LB Floor Research

#### Spread developments: Laender vs. Bunds – 10y



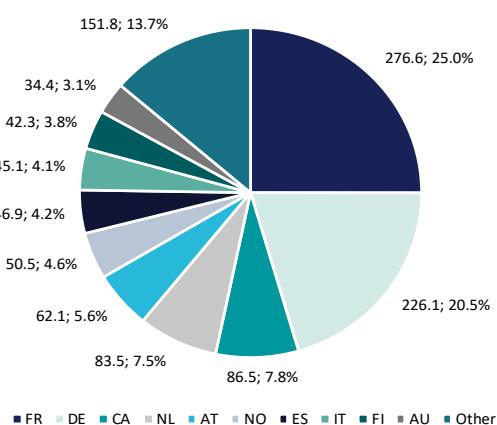
#### Conclusion and outlook

The German Laender have largely completed their credit planning for 2026 and subsequently published their credit authorisations. Across 15 Laender, the gross figure amounts to EUR 72.1bn (net: EUR 18.5bn), although it should be noted that the heavyweight BADWUR is not yet included in this list. According to our forecast, a further EUR 27bn is likely to be added here. On the capital market side, the Laender have raised EUR 12.5bn in benchmarks so far this year. The start to 2026 was therefore fairly subdued and we believe there is still room for improvement in the following months. This is also anticipated by the majority of market players, as underscored by the relative value analysis compared to KfW bonds. Nevertheless, the appeal of German Laender bonds is likely to remain high among investors, especially domestic savings banks and bank treasuries, meaning that additional supplies should be well absorbed.

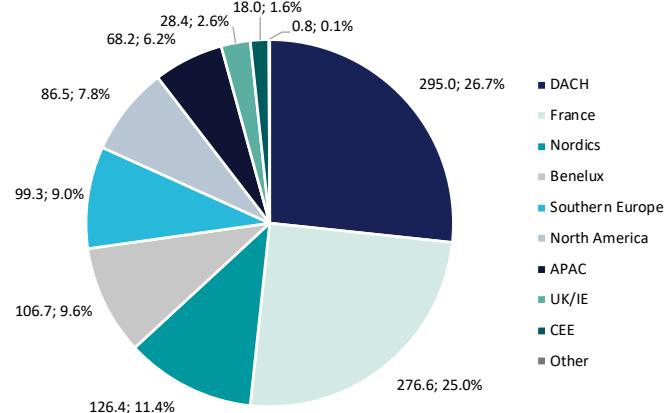
## Charts & Figures

### Covered Bonds

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



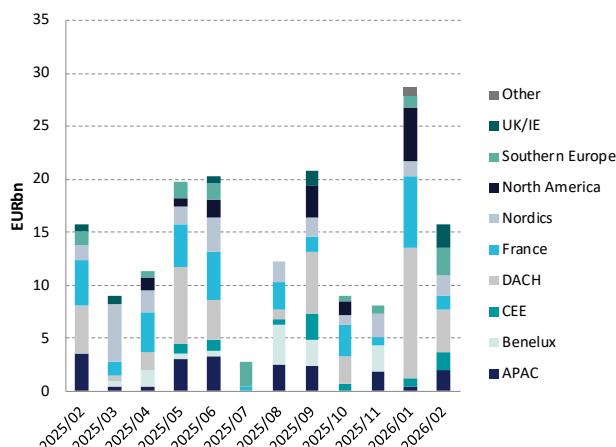
#### EUR benchmark volume by region (in EURbn)



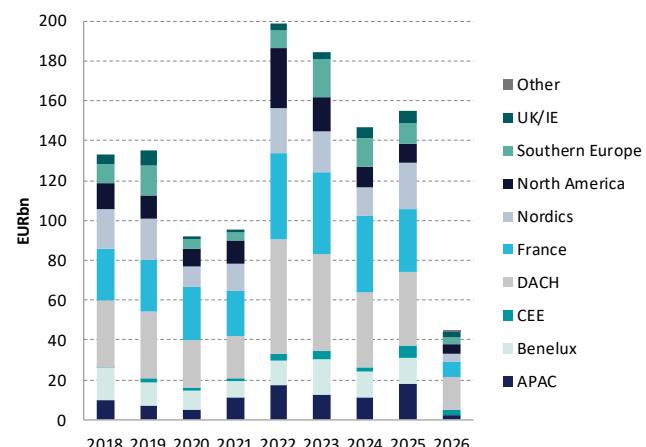
#### Top 10 jurisdictions

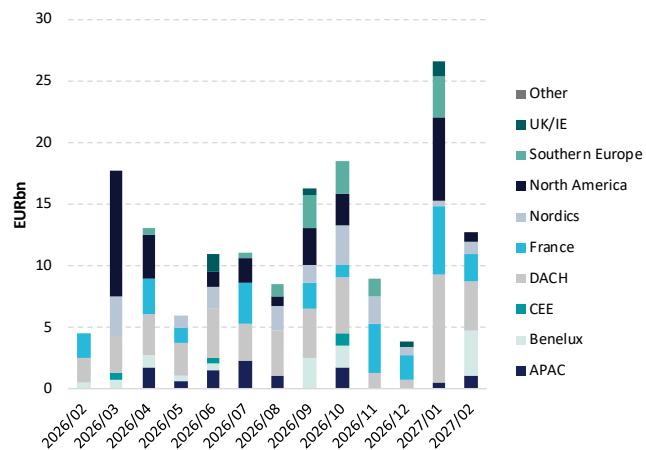
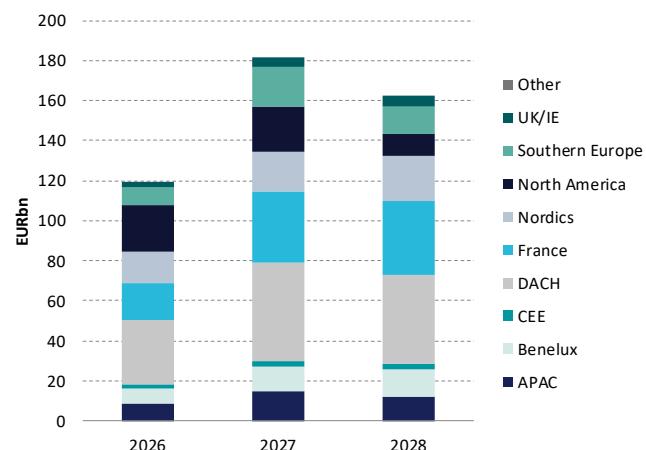
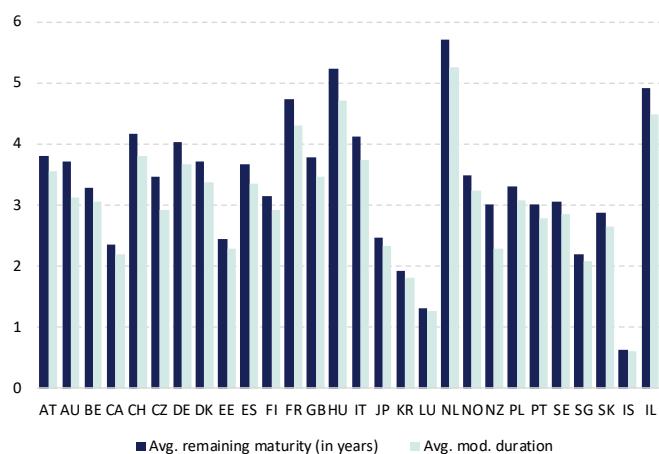
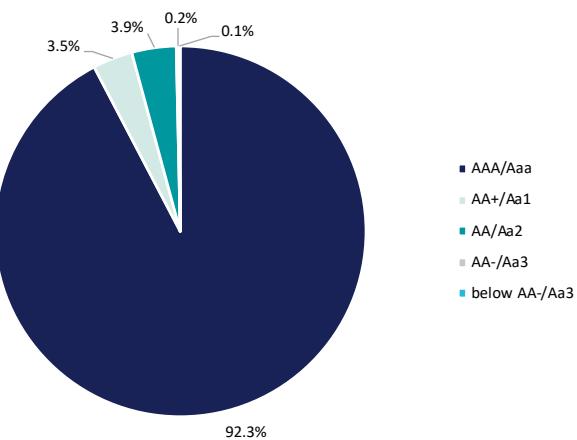
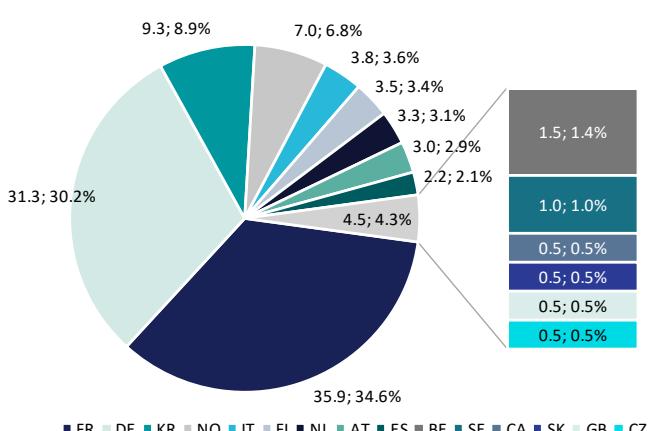
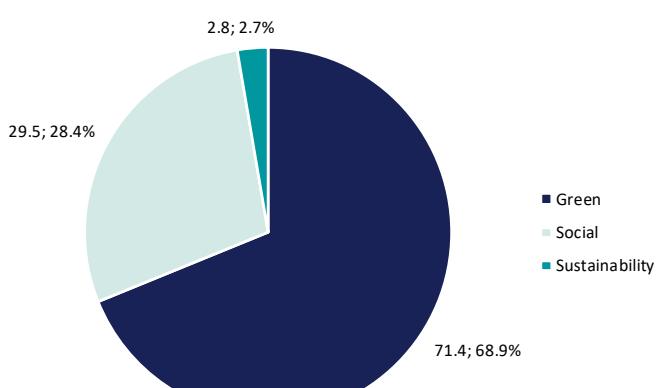
Rank	Country	Amount outst. (EURbn)	No. of BMKs	There of ESG BMKs	Avg. issue size (EURbn)	Avg. initial maturity (in years)	Avg. mod. Duration (in years)	Avg. coupon (in %)
1	FR	276.6	269	37	0.97	8.8	4.3	1.78
2	DE	226.1	316	49	0.67	7.8	3.7	1.83
3	CA	86.5	64	1	1.33	5.5	2.2	1.77
4	NL	83.5	82	4	0.95	10.4	5.3	1.58
5	AT	62.1	103	5	0.60	8.0	3.6	1.71
6	NO	50.5	59	10	0.86	7.1	3.2	1.50
7	ES	46.9	43	4	0.99	9.4	3.4	2.24
8	IT	45.1	59	6	0.73	7.9	3.7	2.21
9	FI	42.3	51	4	0.82	6.6	2.9	1.96
10	AU	34.4	35	0	0.98	7.2	3.1	2.01

#### EUR benchmark issue volume by month

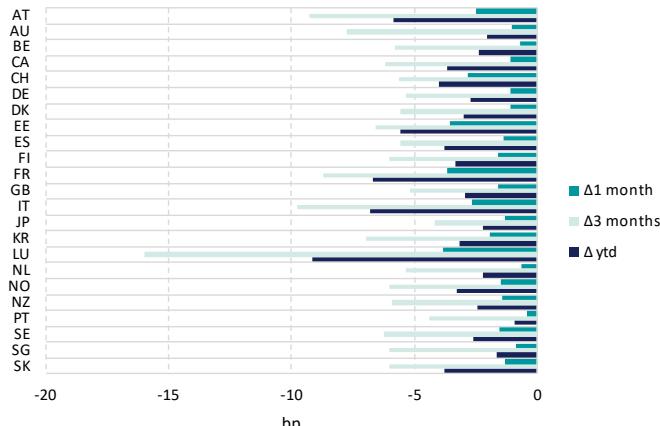


#### EUR benchmark issue volume by year

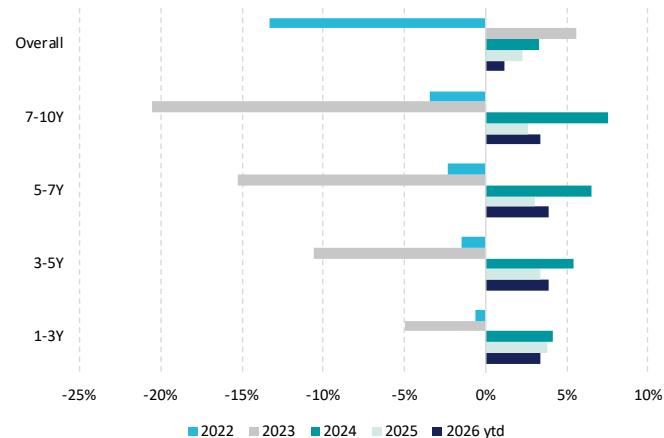


**EUR benchmark maturities by month****EUR benchmark maturities by year****Modified duration and time to maturity by country****Rating distribution (volume weighted)****EUR benchmark volume (ESG) by country (in EURbn)****EUR benchmark volume (ESG) by type (in EURbn)**

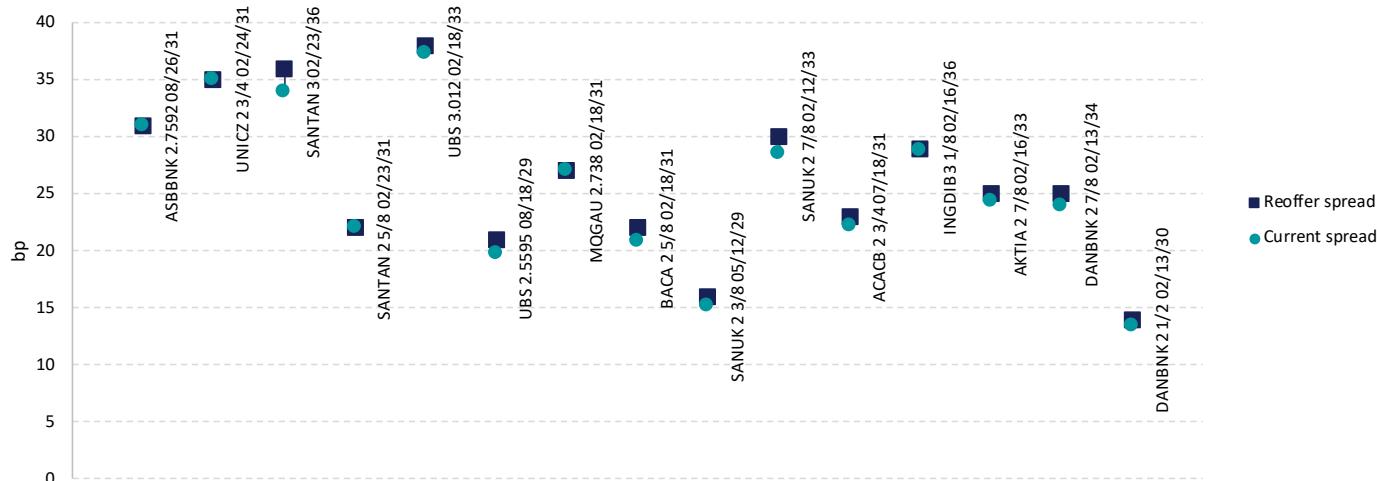
## Spread development by country



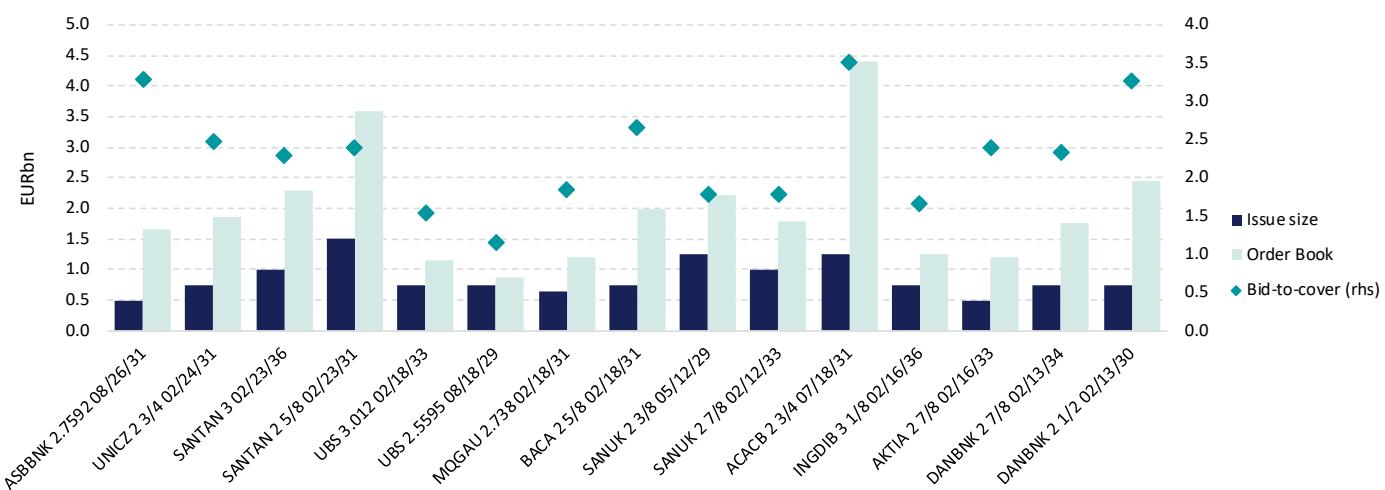
## Covered bond performance (Total return)



## Spread development (last 15 issues)

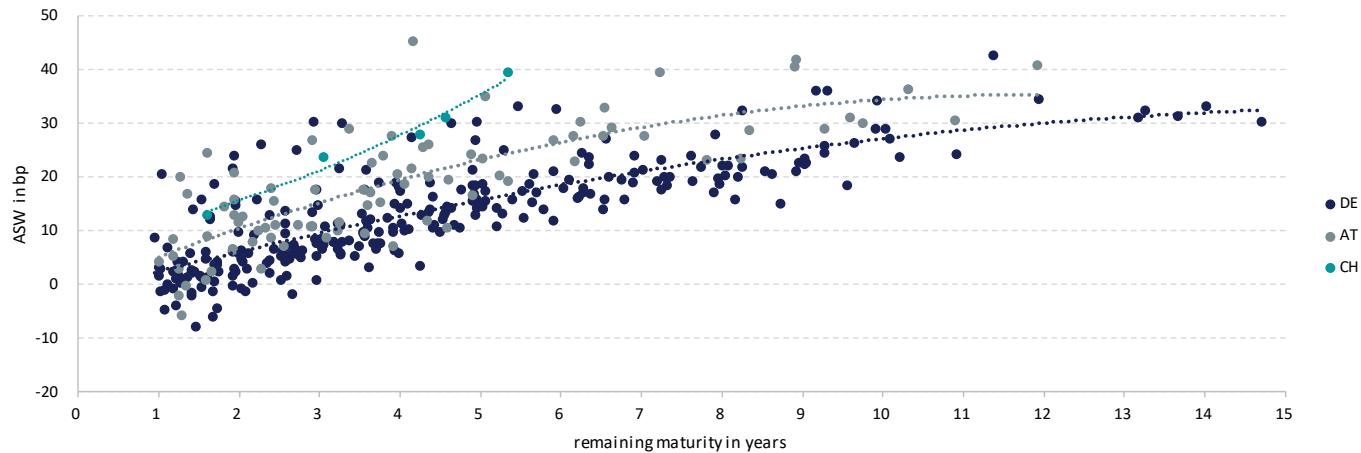


## Order books (last 15 issues)

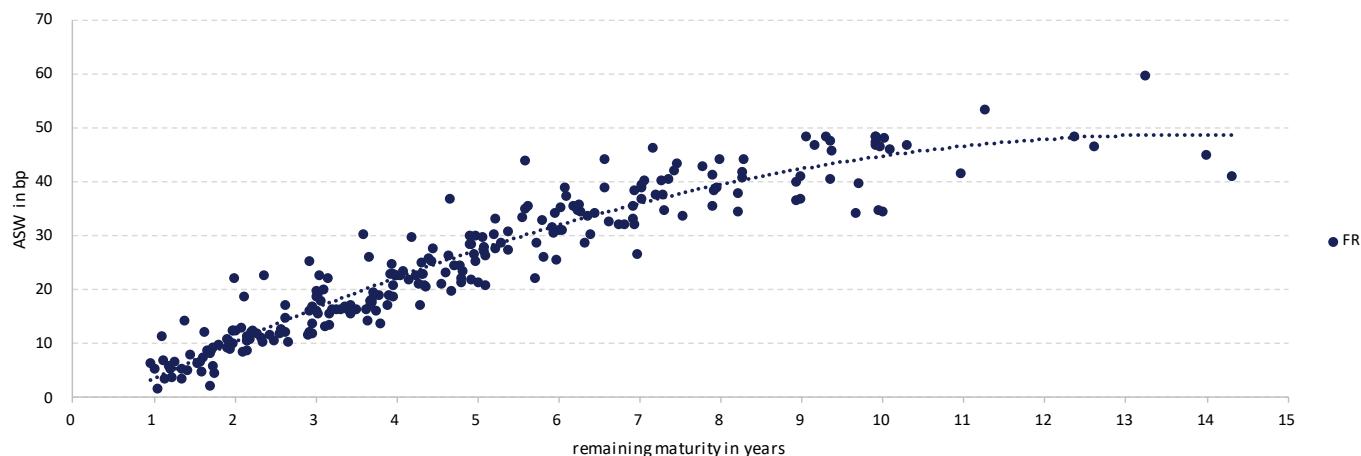


## Spread overview<sup>1</sup>

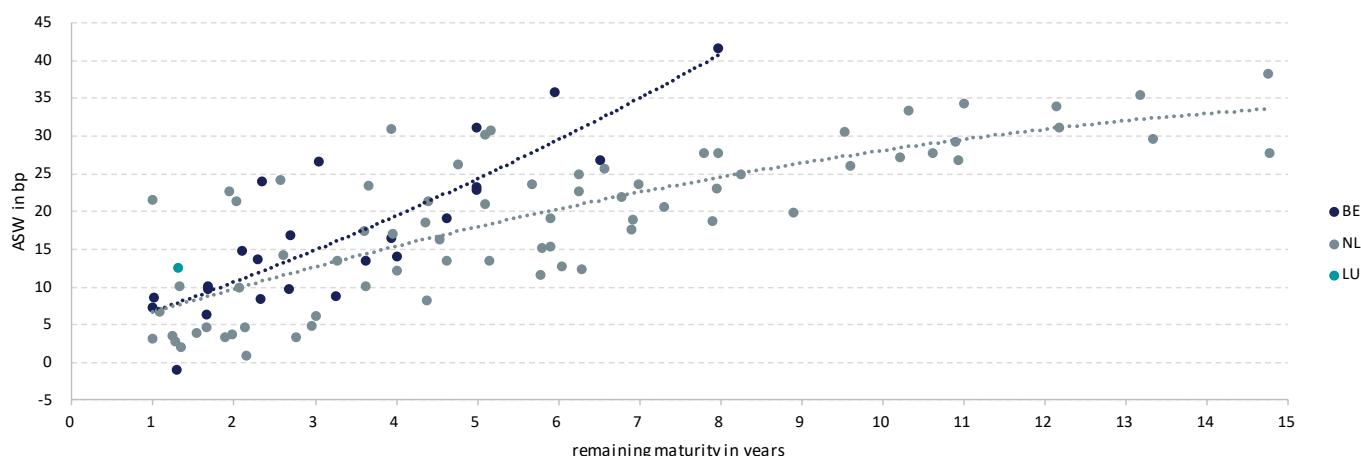
DACH   

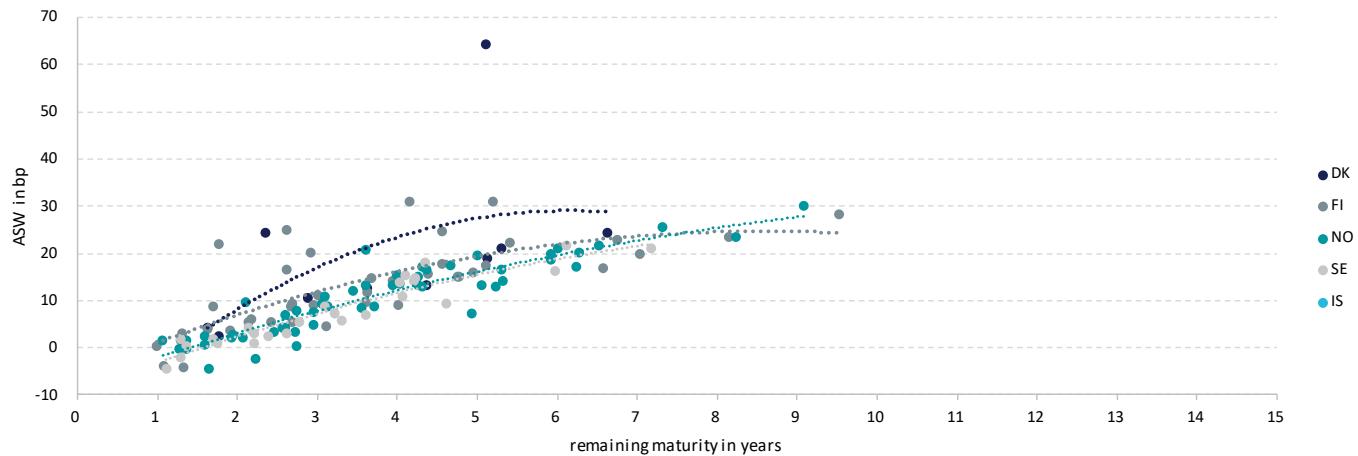
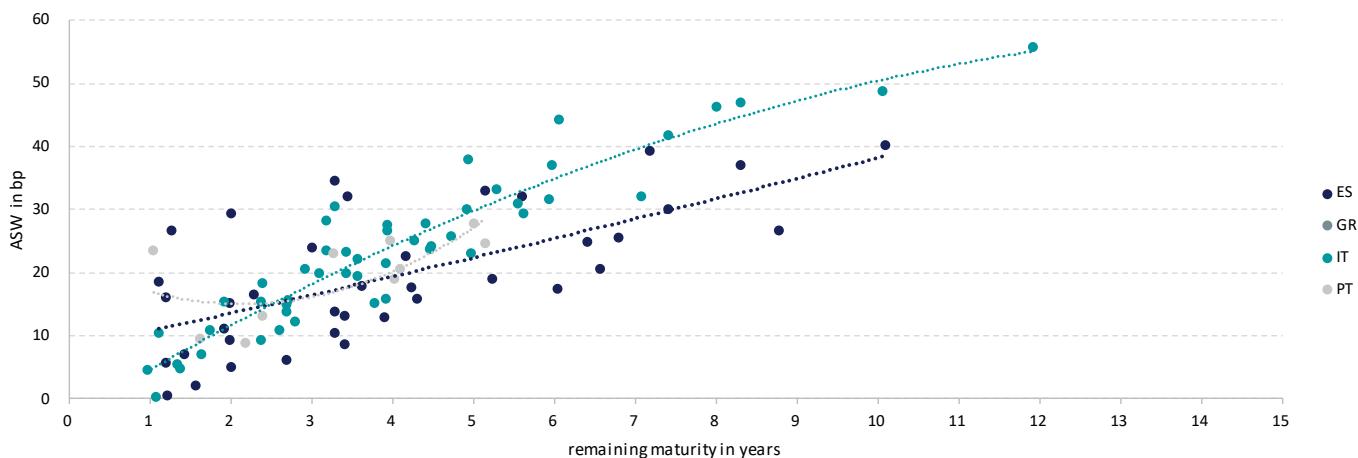
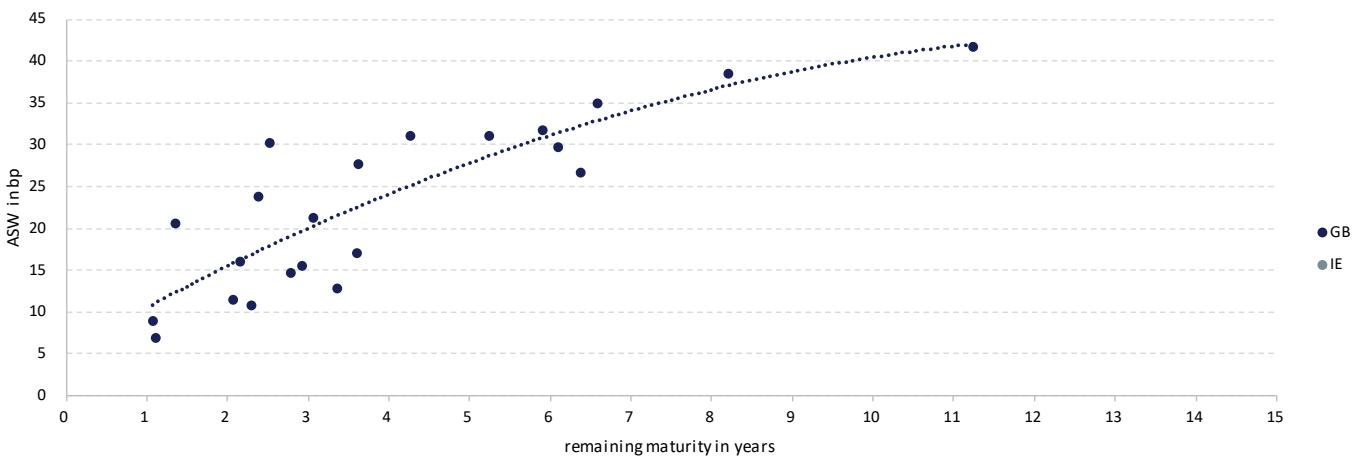


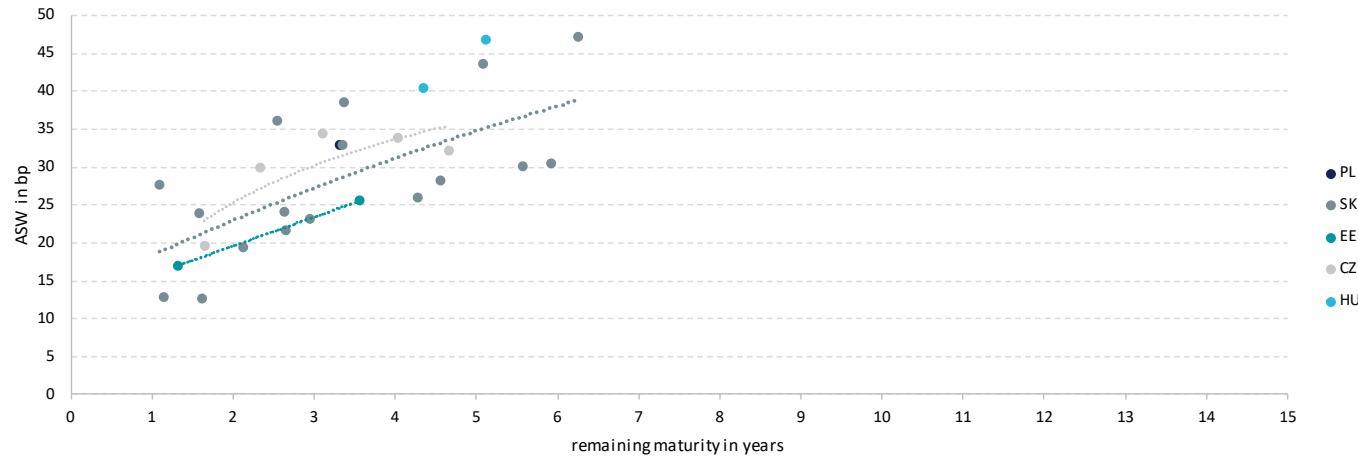
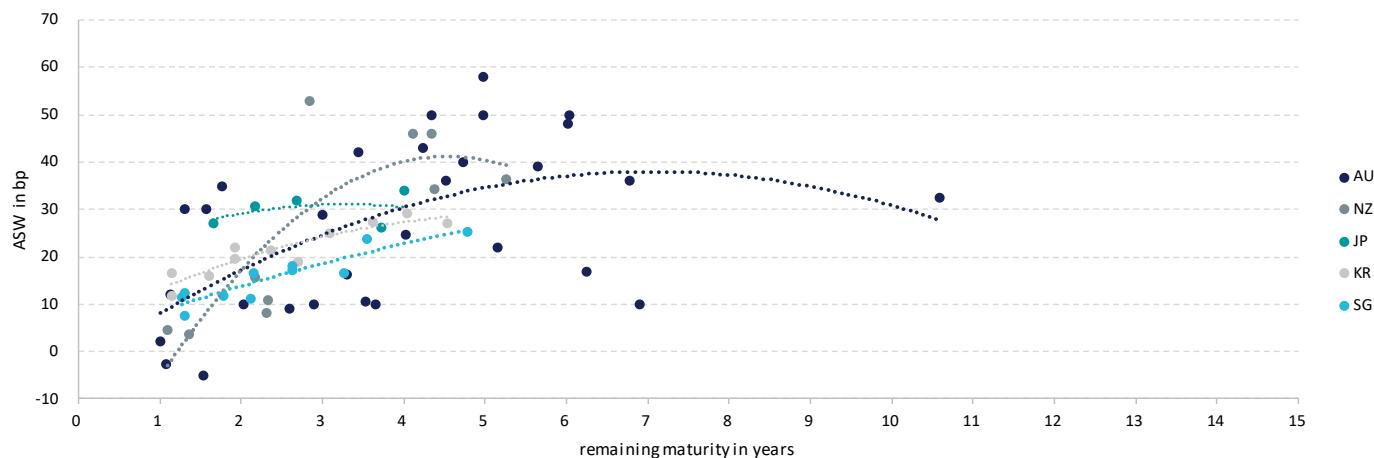
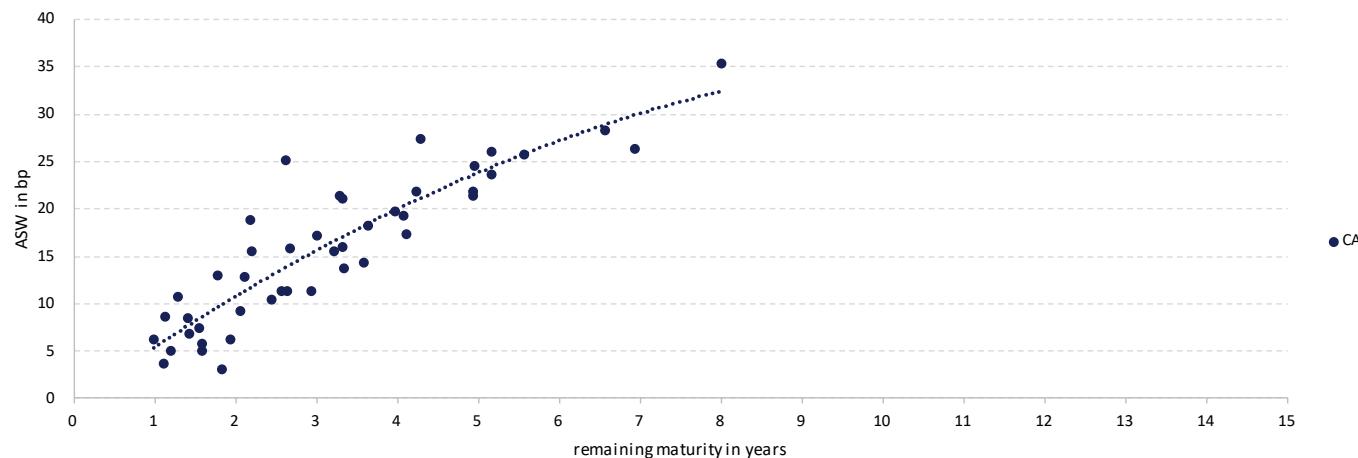
France  



Benelux   



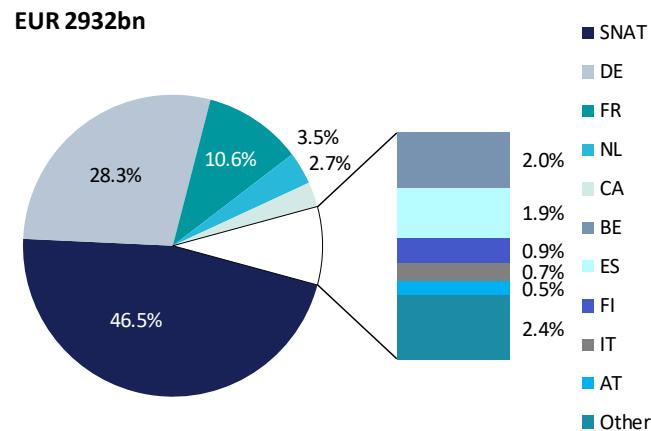
Nordics Southern Europe UK/IE 

CEE APAC North America 

## Charts & Figures

### SSA/Public Issuers

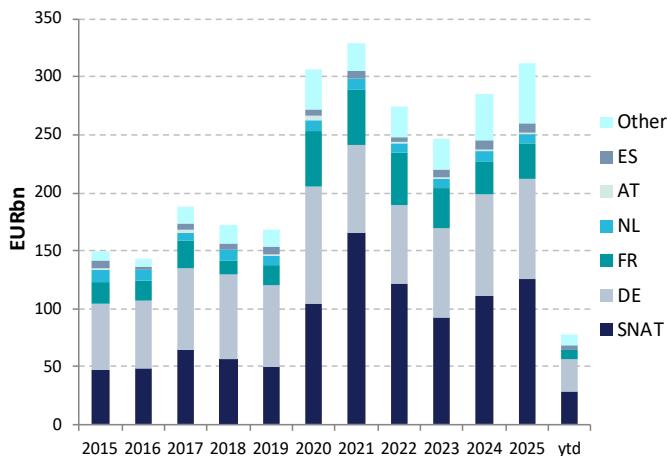
#### Outstanding volume (bmk)



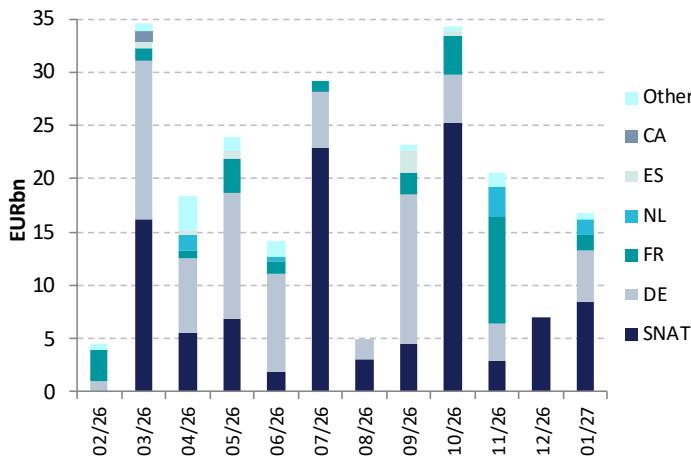
#### Top 10 countries (bmk)

Country	Vol. (EURbn)	No. of bonds	Ø Vol. (EURbn)	Vol. weight. Ø Mod. Dur.
SNAT	1,364.7	271	5.0	7.5
DE	830.7	625	1.3	5.7
FR	310.8	207	1.5	5.2
NL	102.5	91	1.1	5.9
CA	78.0	68	1.1	6.2
BE	59.8	55	1.1	9.4
ES	54.4	78	0.7	4.8
FI	27.2	28	1.0	3.8
IT	19.4	26	0.7	4.2
AT	14.5	21	0.7	5.0

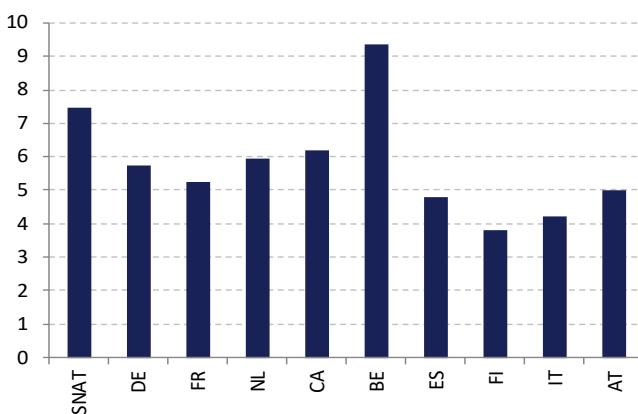
#### Issue volume by year (bmk)



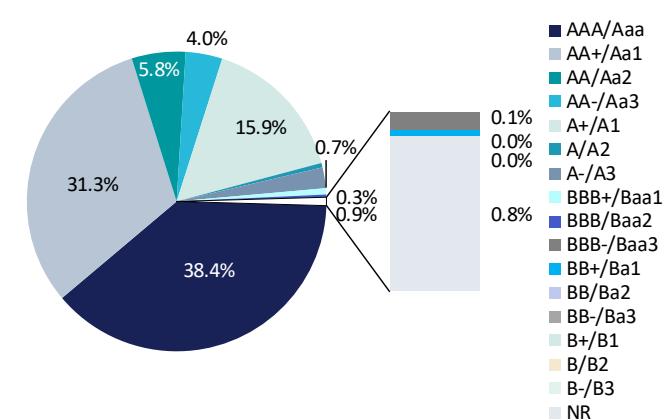
#### Maturities next 12 months (bmk)

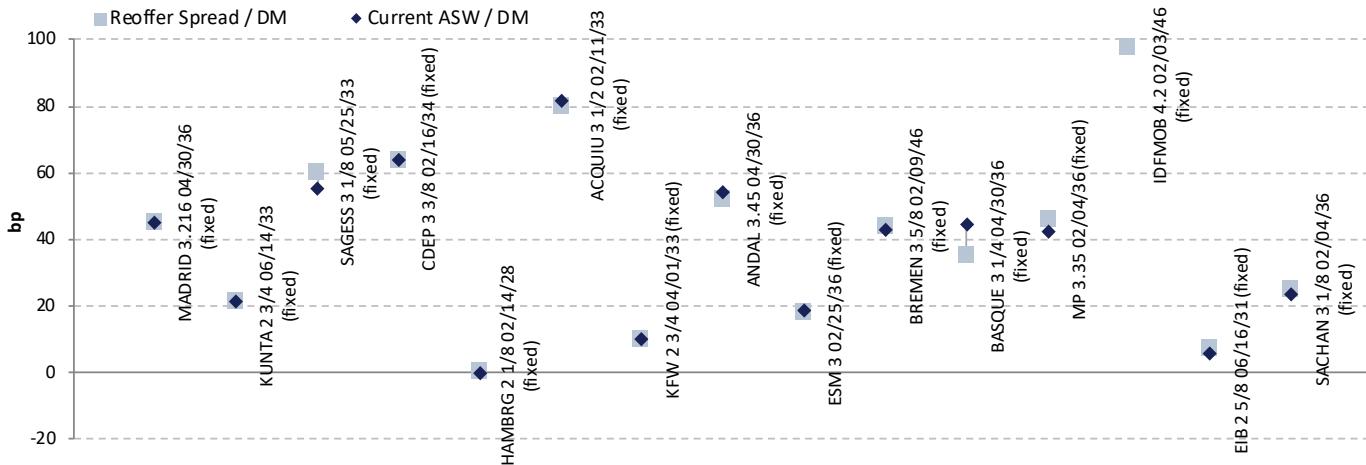
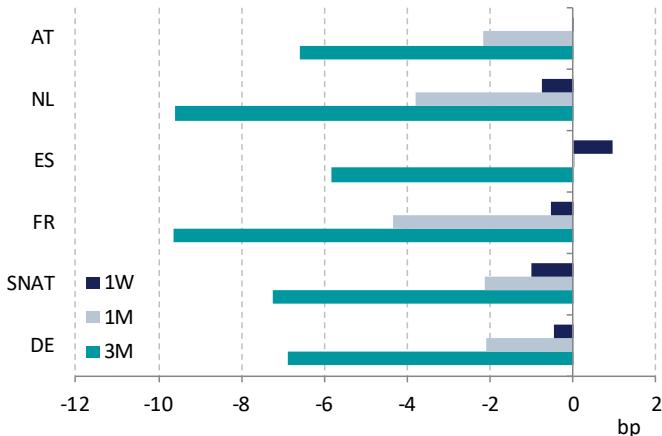
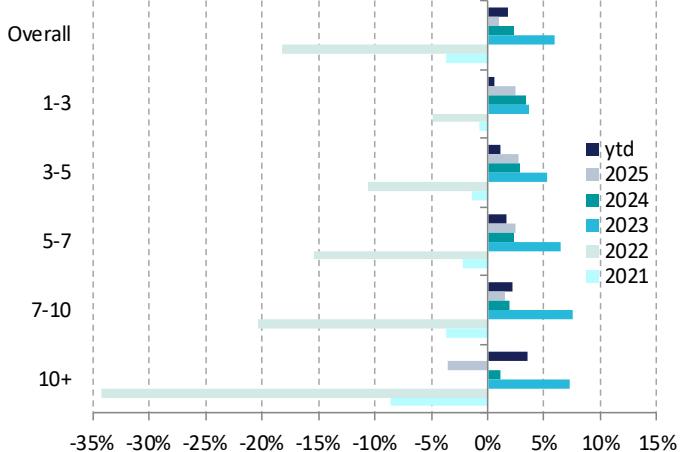
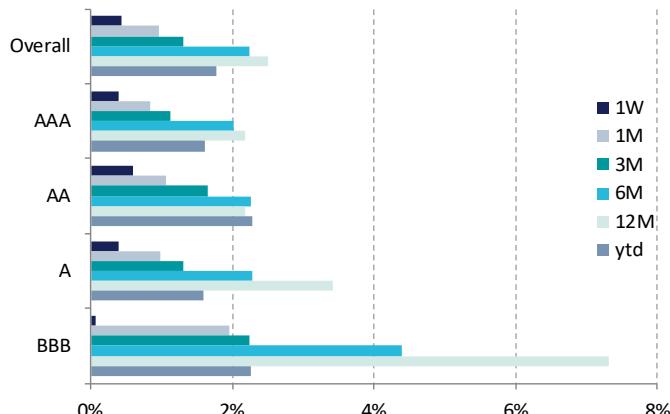
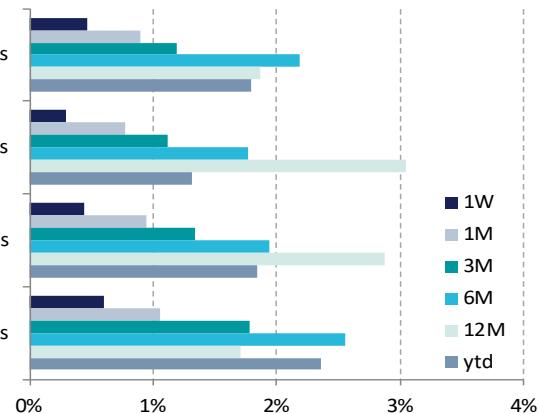


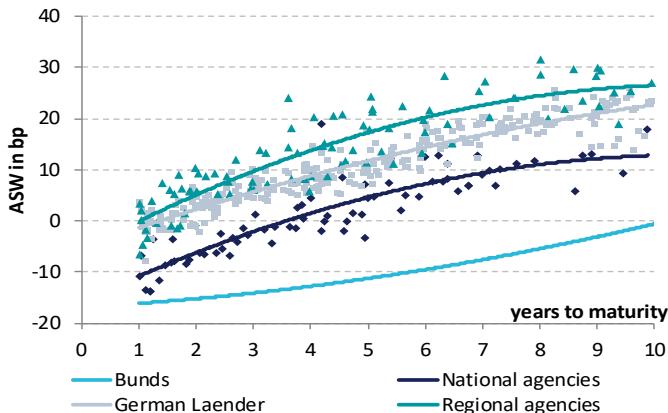
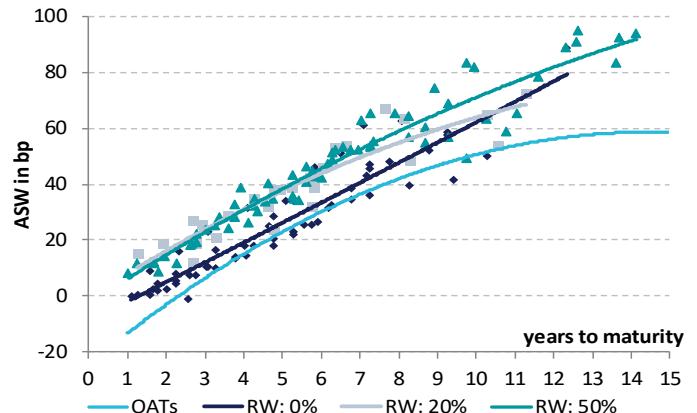
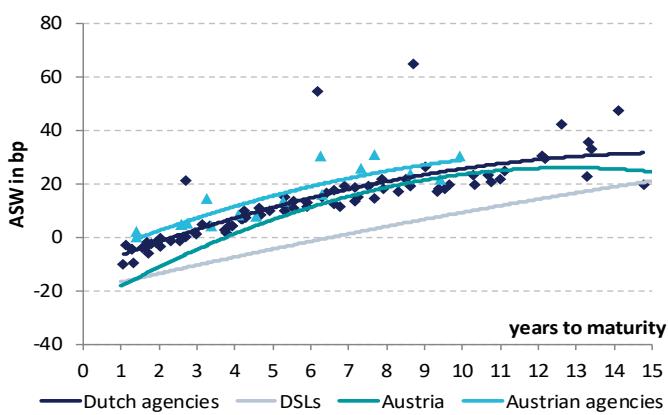
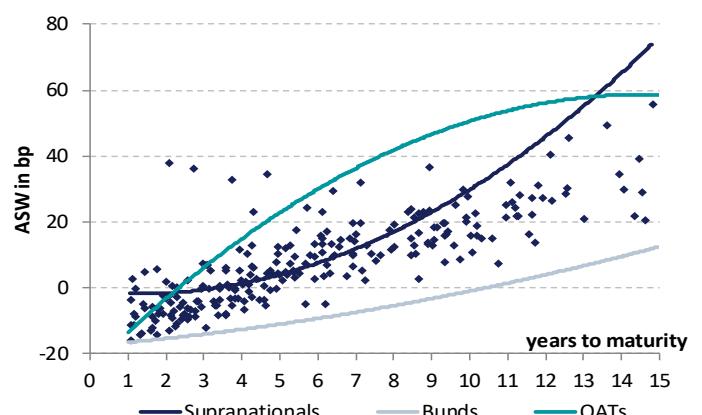
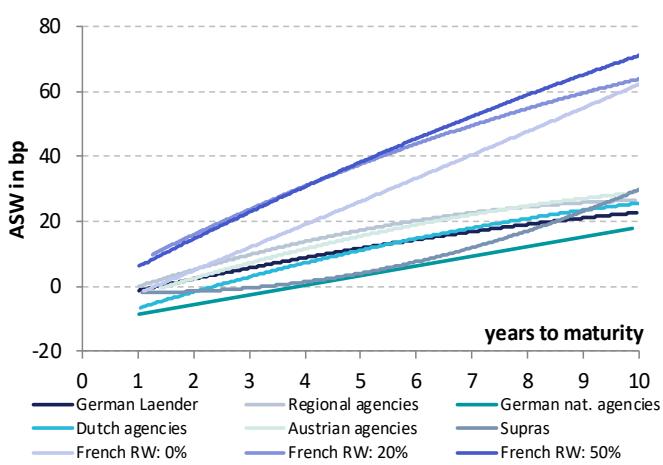
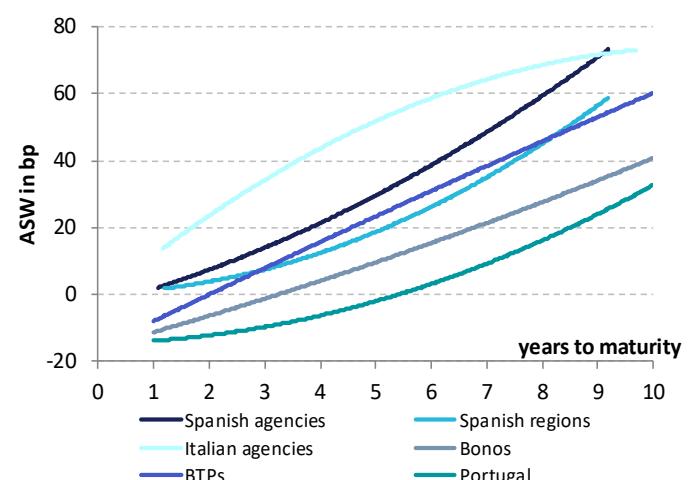
#### Avg. mod. duration by country (vol. weighted)



#### Rating distribution (vol. weighted)



**Spread development (last 15 issues)****Spread development by country****Performance (total return)****Performance (total return) by segments****Performance (total return) by rating**

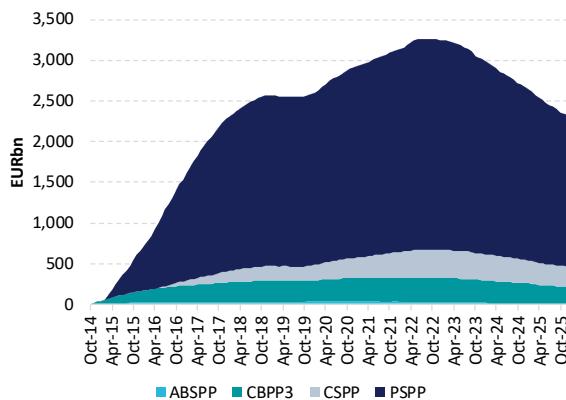
**Germany (by segments)****France (by risk weight)****Netherlands & Austria****Supranationals****Core****Periphery**

## Charts & Figures

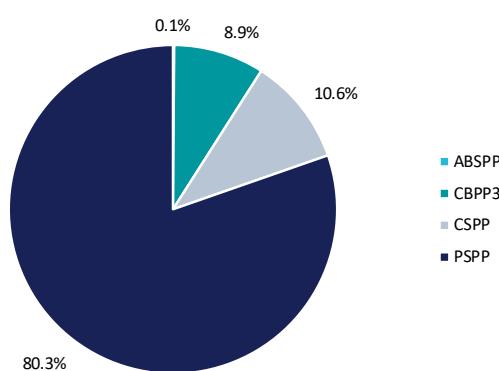
### ECB tracker

#### Asset Purchase Programme (APP)

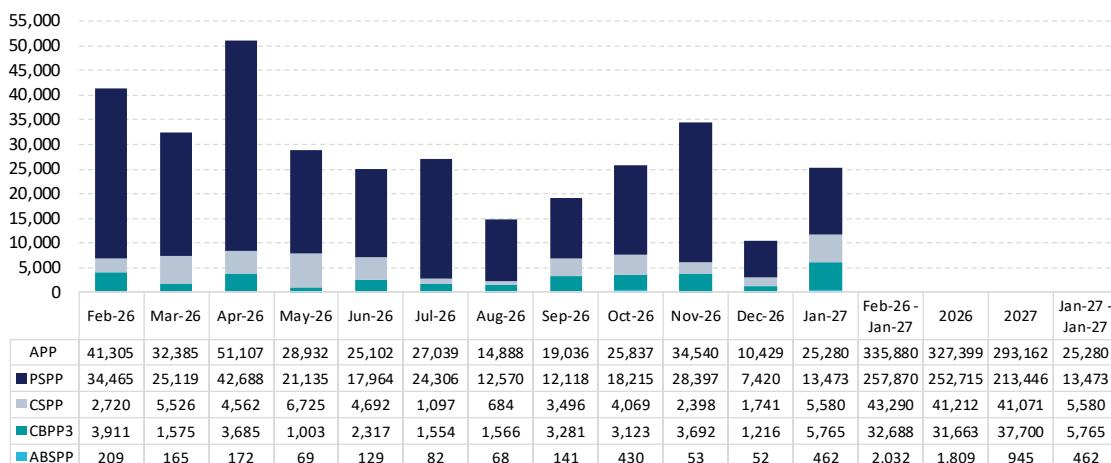
##### APP: Portfolio development



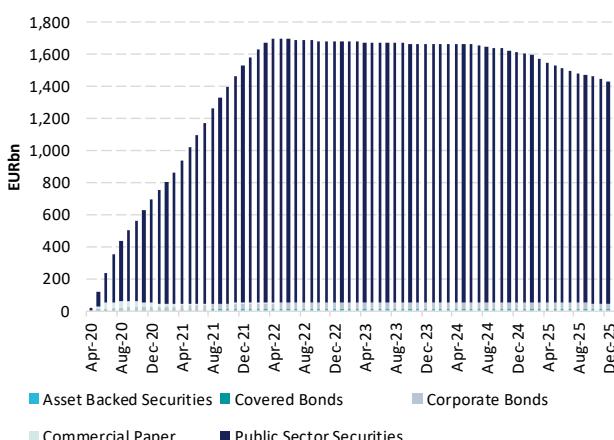
##### APP: Portfolio structure



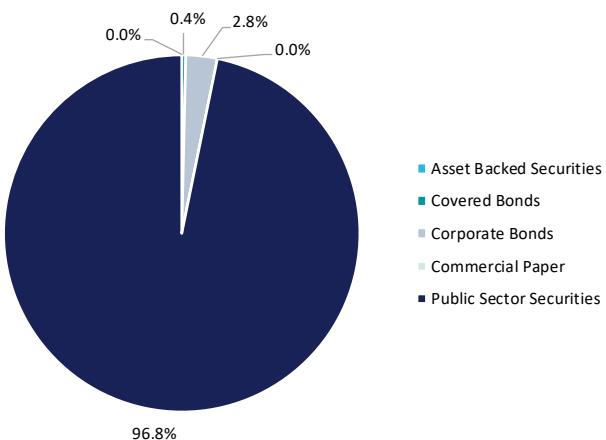
##### Expected monthly redemptions (in EURm)



##### PEPP: Portfolio development



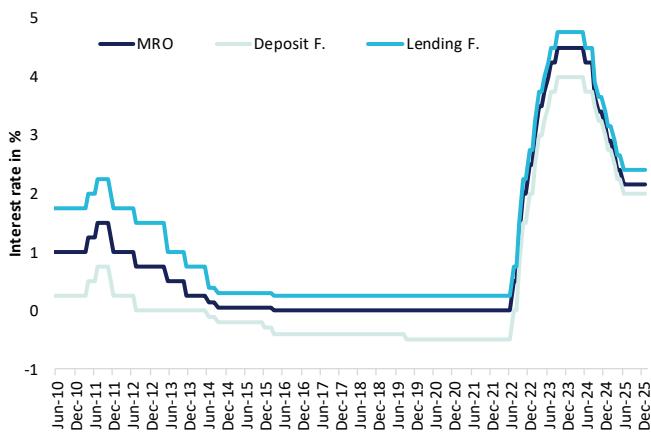
##### PEPP: Portfolio structure



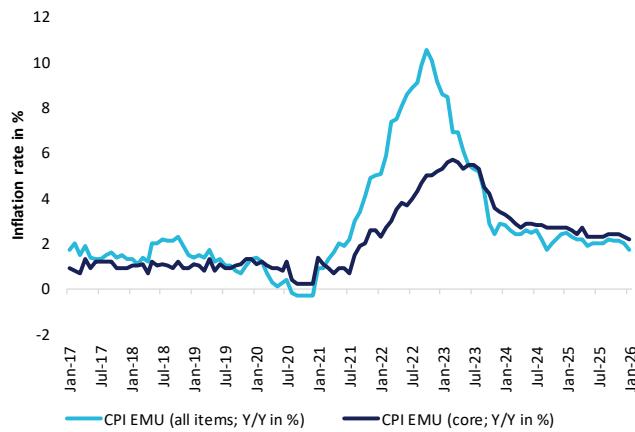
## Charts & Figures

### Cross Asset

#### ECB key interest rates



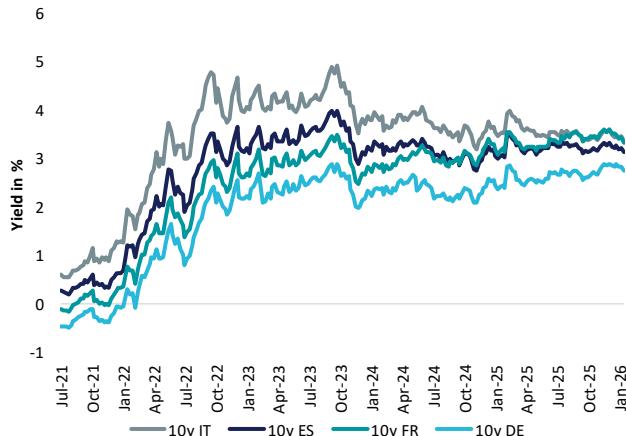
#### Inflation development in the euro area



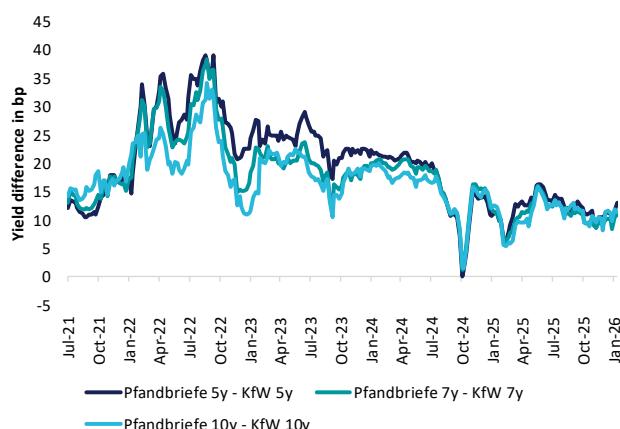
#### Bund-swap-spread



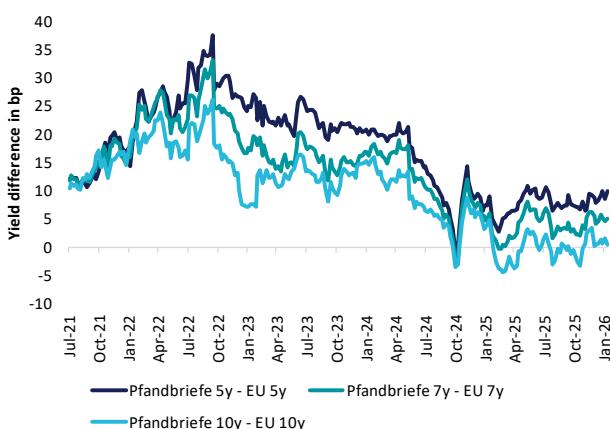
#### Selected yield developments (sovereigns)



#### Pfandbriefe vs. KfW



#### Pfandbriefe vs. EU



## Appendix

### Overview of latest Covered Bond & SSA View editions

Publication	Topics
<a href="#"><u>04/2026 // 04 February</u></a>	<ul style="list-style-type: none"> <li>▪ Covereds: Will the issuance momentum be sustained beyond January?</li> <li>▪ The SSA January is over - what else can we expect from 2026?</li> </ul>
<a href="#"><u>03/2026 // 28 January</u></a>	<ul style="list-style-type: none"> <li>▪ CB jurisdiction in the spotlight – Austria</li> <li>▪ 34th meeting of the Stability Council</li> </ul>
<a href="#"><u>02/2026 // 21 January</u></a>	<ul style="list-style-type: none"> <li>▪ The covered bond universe of Moody's: an overview</li> <li>▪ Review: EUR ESG benchmarks 2025 in the SSA segment</li> </ul>
<a href="#"><u>01/2026 // 14 January</u></a>	<ul style="list-style-type: none"> <li>▪ Annual review of 2025 – Covered Bonds</li> <li>▪ SSA: Annual review of 2025</li> </ul>
<a href="#"><u>43/2025 // 17 December</u></a>	<ul style="list-style-type: none"> <li>▪ Cross Asset: Dutch pension funds in the spotlight</li> </ul>
<a href="#"><u>42/2025 // 10 December</u></a>	<ul style="list-style-type: none"> <li>▪ Focus on spread relationships: Covereds vs. Seniors</li> <li>▪ Teaser: Beyond Bundeslaender – Belgium</li> </ul>
<a href="#"><u>41/2025 // 03 December</u></a>	<ul style="list-style-type: none"> <li>▪ The bigger picture – ECB and four daring suppositions</li> <li>▪ Our view of the covered bond market heading into 2026</li> <li>▪ SSA outlook 2026: More debt, less scope?</li> </ul>
<a href="#"><u>40/2025 // 26 November</u></a>	<ul style="list-style-type: none"> <li>▪ Cross Asset // Call for evidence: EU Taxonomy under review</li> </ul>
<a href="#"><u>39/2025 // 19 November</u></a>	<ul style="list-style-type: none"> <li>▪ A covered bond view of the Nordics</li> <li>▪ Teaser: Issuer Guide – French Agencies 2025</li> </ul>
<a href="#"><u>38/2025 // 12 November</u></a>	<ul style="list-style-type: none"> <li>▪ Covereds: Development of the German property market (vdp index)</li> <li>▪ Funding strategies of Canadian provinces – an overview</li> </ul>
<a href="#"><u>37/2025 // 05 November</u></a>	<ul style="list-style-type: none"> <li>▪ Covereds: Savings banks as primary market issuers</li> <li>▪ Auvergne-Rhône-Alpes Region – spotlight on REGRHO</li> </ul>
<a href="#"><u>36/2025 // 29 October</u></a>	<ul style="list-style-type: none"> <li>▪ Covereds: A look at the EUR sub-benchmark segment</li> <li>▪ SSA: Canadian pension funds in the spotlight</li> </ul>
<a href="#"><u>35/2025 // 22 October</u></a>	<ul style="list-style-type: none"> <li>▪ ESG benchmark segment at a crossroads?</li> <li>▪ Teaser: Issuer Guide – European Supranationals 2025</li> </ul>
<a href="#"><u>34/2025 // 15 October</u></a>	<ul style="list-style-type: none"> <li>▪ Greece: covered bond jurisdiction on the rise?</li> <li>▪ Agencies and resolution instruments of the BRRD</li> </ul>
<a href="#"><u>33/2025 // 08 October</u></a>	<ul style="list-style-type: none"> <li>▪ Solvency II and covered bonds</li> <li>▪ NGEU: Green Bond Dashboard</li> </ul>
<a href="#"><u>32/2025 // 01 October</u></a>	<ul style="list-style-type: none"> <li>▪ Teaser: EBA report on the review of the EU covered bond framework</li> <li>▪ Update on German municipality bonds: DEUSTD and NRWGK</li> </ul>
<a href="#"><u>31/2025 // 24 September</u></a>	<ul style="list-style-type: none"> <li>▪ The rating approach of Morningstar DBRS</li> <li>▪ Teaser: Beyond Bundeslaender – Greater Paris (IDF/VDP)</li> </ul>
<a href="#"><u>30/2025 // 03 September</u></a>	<ul style="list-style-type: none"> <li>▪ A look at the German banking market</li> <li>▪ ECB repo collateral rules and their implications for Supras &amp; Agencies</li> </ul>
<a href="#"><u>29/2025 // 27 August</u></a>	<ul style="list-style-type: none"> <li>▪ The rating approach of Standard &amp; Poor's</li> <li>▪ Pension avalanche and municipal debt: Laender under pressure</li> </ul>

# 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](#)

[Beyond Bundeslaender: Canadian Provinces](#)

[Beyond Bundeslaender: Belgium](#)

[Beyond Bundeslaender: Greater Paris \(IDF/VDP\)](#)

[Beyond Bundeslaender: Spanish regions](#)

[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](#)

[Issuer Guide – Spanish Agencies 2025](#)

### Fixed Income Specials:

[ESG-Update 2025](#)

[ECB preview: Job rota instead of rate focus](#)

# Appendix

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