



Covered Bond & SSA View

NORD/LB Floor Research

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Marketing communication (see disclaimer on the last pages)

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Covered Bonds

Market overview

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Primary market: waiting for a less volatile market environment

With the further escalation of the military conflict in the Near Middle East, which is increasingly focused on energy infrastructure, issuance activities once again came to a standstill. In this regard, the most recent primary market transactions date back to 17 March, when three issuers took advantage of what was at that time a more stable market environment to bring their covered bond deals to market. The duration of this issuance pause depends, in our view, to a significant extent on the development of the Iran conflict and the potential for various (de-)escalation scenarios. Should volatility on the financial markets start to ease off, an issuance window could also open at short notice. Until this time, we believe that the majority of issuers will largely steer clear of transactions in the EUR benchmark segment. We deal with the question of how long covered bond issuers will wait before being forced to place new deals in a less attractive market environment as part of our [focus article](#) in this present edition of our weekly publication. Away from the EUR benchmark segment, two Canadian issuers have been active with USD fixed bonds in recent weeks. Canadian banks will have to deal with a high level of maturities this year, particularly in the EUR benchmark segment, and are apparently now exercising a degree of flexibility in terms of the choice of currency for refinancing activities via USD-denominated covered bonds. For example, the Bank of Montreal (BMO) placed a five-year covered on 20 March bond with a volume of USD 1.25bn at a reoffer spread of SOFR ms +53bp. The final spread was communicated as soon as the books were opened for this deal, meaning that the issuer was able to avoid any potential reduction during the marketing phase. Yesterday (Tuesday, 24 March), the Canadian Imperial Bank of Commerce (CIBC) adopted the same approach for its new deal. As with BMO, CIBC also opted for a five-year maturity and the same reoffer spread (SOFR ms +53bp). In the end, it placed a fresh bond deal in the amount of USD 1.25bn. These Canadian deals impressively demonstrated that it is still possible to place covered bonds even in the midst of greater market volatility.

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

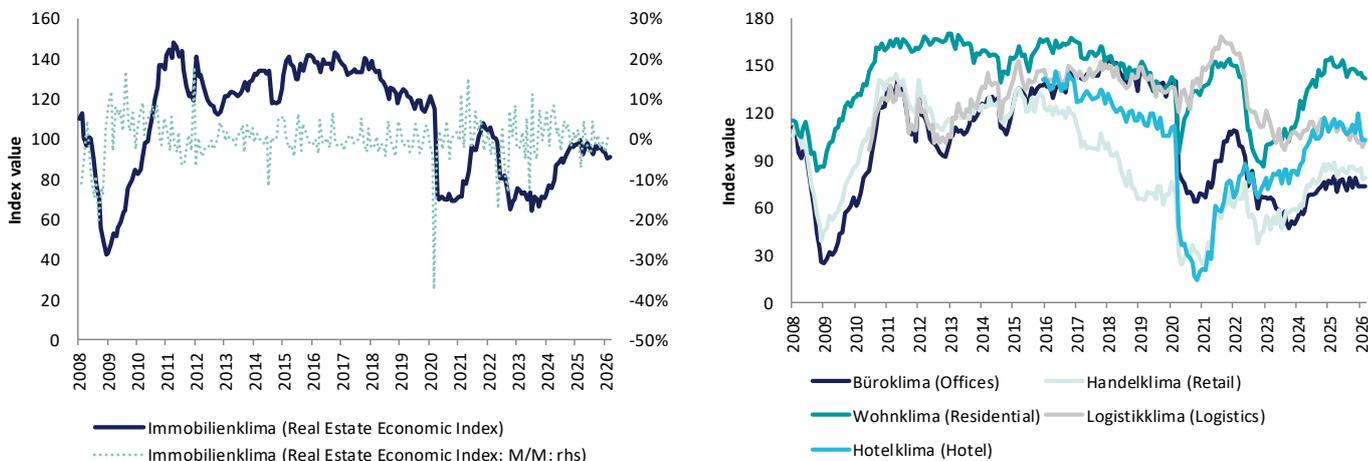
Source: Bloomberg, NORD/LB Floor Research (Rating: Fitch / Moody's / S&P)

Secondary market remains in a holding pattern

In the continued absence of new issuances, investors on the secondary market are also largely waiting in the wings. The transaction volume remains low and is primarily focused on the medium maturity segment. Looking at the spread levels, no major movements can currently be observed. Nevertheless, we are firmly of the view that the new price reality will only start to be fully reflected in secondary market prices once primary market transactions are restarted.

Deutsche Hypo real estate climate index: restrained start to the year

For many years now, the Deutsche Hypo real estate climate index has ranked among the most widely observed barometers for assessing the situation on the German property market. After a minor setback to start the year, the mood among the real estate experts has brightened somewhat in the 219th [monthly survey](#) (91.2 points versus 90.6 points in the previous month). Therefore, the index for March is trading slightly higher than was the case in February – albeit still below the December value for 2025 (94.2 points). This increase was driven by the earnings climate, which rose by +3.1% versus the previous month. In contrast, the investment climate continued the downward trend seen in February (-2.0% M/M). The breakdown by property type presents a rather differentiated picture for the Deutsche Hypo real estate climate index. The highest increases compared with the previous month were recorded in the logistics climate (+4.9% M/M) and the retail climate (+1.2% M/M), while the office climate remained unchanged at 73.6 points. In contrast, the residential climate (-0.7% M/M) and the hotel climate (-0.1% M/M) recorded slight declines. Nevertheless, the residential climate remains the undisputed leader at 142.9 points. Harald Nolterieke (Head of Deutsche Hypo – NORD/LB Real Estate Finance in Munich) also emphasizes the appeal of this segment, but at the same time points out that significant efforts from the private sector, public support and a more business-friendly environment overall are all needed to defuse the ticking social time bomb that is the housing crisis over the long term. Nolterieke states that market players are observing a sideways trend in both the rental market and in relation to transaction volumes. For example, the “government debt stimulus for defence and infrastructure” is only slowly taking effect. However, some initial positive signs of a recovery in the property market appear to be emerging. As far as interest rates are concerned, real estate experts at Deutsche Hypo are forecasting a moderate rise, but also highlight increased volatility and susceptibility to external events. To sum up, the mood on the German real estate market remains subdued, which can undoubtedly be put down, at least in part, to the effects of the Iran conflict, which remain unpredictable, and as an indirect result of this to interest rates as well.



Source: Deutsche Hypo, bulwiengesa, NORD/LB Floor Research

APRA proposes recognition of covered bonds as HQLA assets

At the start of last week, the Australian Prudential Regulation Authority (APRA) – the country's banking regulator and supervisory body – published an initial [proposal on the development of the supervisory framework for Australian banks](#). According to the regulator, these measures are intended to increase the resilience of liquidity positions, strengthen the risk sensitivity of capital requirements and reduce unnecessary regulatory burdens. To this end, APRA has defined three core areas for its proposed changes: liquidity, capital and trading book. In terms of the focal point on liquidity, the regulator also proposes relevant adjustments for covered bonds. Specifically, covered bonds should be eligible to be considered as HQLA assets within the LCR management framework for Australian banks, whereby potential upper limits and haircuts must still be specified. In this context, the intention is to limit the costs of strengthening banks' liquidity, among other aspects. At present, covered bonds held by Australian banks can already be considered as Level 2A assets for LCR management purposes, but as such they are not classified as highly liquid assets. Nevertheless, it should be emphasised that the consultation process is still at an early stage and that the publication of an official consultation paper by APRA is not expected until some point in the second half of 2026.

S&P: covered bond markets of Norway and Finland in the spotlight

The rating agency S&P recently published an [analysis of the local covered bond markets in Norway and Finland](#). Both markets are considered to be very well established, although Norway remains the largest market in the Nordics for EUR-denominated covered bonds. In 2025, Norwegian banks issued covered bonds in the amount of EUR 14.2bn, up by around +43% on the prior year, while the Finnish issuance volume amounted to EUR 6.5bn – the same as in the previous year. More than 30% of the outstanding benchmark volume in Norway is attributable to green covered bonds, with Norway ranking among the leading jurisdictions in terms of the highest volume of covered bonds in green format. Overall, the share of deals from Norway and Finland in the total outstanding European benchmark volume amounts to approx. 14% in 2025. According to S&P, the reasons for the increased issuance volume from Norway include, among others, growing demand for residential financing, supported in particular by lower interest rates and a robust labour market with a stable unemployment rate, as well as a general trend towards rising household incomes. The limited supply is causing property prices to increase. S&P considers the Norwegian residential property market to be overvalued by roughly 15%. In terms of the Finnish market, S&P expects property prices to stabilise across 2026. This will be driven by easing supply bottlenecks and stronger demand. In the view of S&P, this market is undervalued by 10%. Moreover, S&P implemented adjustments to its covered bond rating methodology in 2025, which led to an average reduction of 8.2% in the overcollateralisation ratios required for each rating category. Nevertheless, the impact of this on Norwegian covered bonds was clearly kept in check. From S&P's point of view, the covered bond programmes of both countries benefit from issuers with investment-grade ratings and a stable rating outlook. Furthermore, the implementation of S&P's updated criteria has increased the number of unused notches by which the issuer credit rating can be reduced without directly impacting the rating of the covered bond programme – provided that all other factors remain constant.

SSA/Public Issuers

Market overview

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

“Same as always” – Bavaria remains the largest contributor under the federal financial equalisation system

The federal financial equalisation system among the German Laender (LFA) aims to ensure equal living conditions in all 16 German Laender. The Federal Ministry of Finance recently presented its figures for 2025. As the data regarding the redistribution of VAT (Umsatzsteuerverteilung; UStV) and the Financial Power Equalisation (Finanzkraftausgleich; FKA) makes clear, the four federal states of Bavaria, Baden-Wuerttemberg, Hesse and Hamburg again had to accept deductions as part of the FKA – as was the case last year. Although the term is no longer applicable in a literal sense, those Laender may still be characterised as “payers” in contrast to the twelve “recipients”. Overall, a record amount of EUR 20.0bn (2024: EUR 18.7bn) was redistributed between the Laender last year. The Free State of Bavaria was by far the largest payer here, contributing more than 58% of revenues with a record amount of around EUR 11.8bn (+6.5% Y/Y). The deductions faced by Hesse and Baden-Wuerttemberg came to around EUR 4.0bn each, while Hamburg’s contribution was estimated at approximately EUR 330m. Amongst the “recipients”, Berlin was the greatest beneficiary, receiving EUR 4.2bn (2024: EUR 3.9bn), followed by the East German non-city states Saxony (EUR 3.5bn) and Thuringia (EUR 2.2bn). At just under EUR 1.5bn, Lower Saxony ranked in first place among the Laender in West Germany, followed by North Rhine-Westphalia and Bremen (around EUR 1bn each). Despite the reform of the LFA in 2020 and the abolition (to all intents and purposes) of the terms “net payer” and “net recipient” – since the Laender effectively no longer deduct any contributions from their budgets – calls for reform can be expected this year too. However, the LFA cannot be renegotiated before 2031.

Moody’s downgrades BRCOL to Aa2, the outlook remains negative

Having drawn attention to the fact that the province of British Columbia (ticker: BRCOL) was heading for a historic deficit of CAD -9.6bn in financial year 2025/26 in our [weekly publication dated 04 March](#), the rating agency Moody’s found cause to cut the province’s rating from “Aa1” to “Aa2”. Meanwhile, the outlook remained negative – a(nother) clear signal from our perspective. The rating experts attribute the downgrade and the outlook primarily to the persistently challenging budget situation when faced with (rising) social expenditure and growing debt. By way of reminder: the recently published budget revealed that the deficit was even expected to increase to CAD -13.3bn in financial year 2026/27, whereas a deficit of CAD -12.2bn and CAD -11.4bn is expected for 2027/28 and 2028/29, respectively. However, to finance its deficits and an investment programme worth CAD 52.9bn in the period from 2026/27 to 2028/29, the province is likely to remain heavily dependent on borrowing. Accordingly, Moody’s forecasts that net debt could increase to over 250% of income by 2028/29. This would firstly be significantly higher than in the rating agency’s previous forecasts and would secondly come in well above the average of the last five years, which was around 130% of income. BRCOL would therefore evolve from a region with comparatively little debt to one of the most heavily indebted provinces within its peer group.

Saarland reports investments at record levels

Saarland (ticker: SAARLD) published figures from its 2025 financial statements in mid-March. Overall, the Saarland budget closed with total revenues and expenditure of EUR 6.3bn. Tax revenues came to EUR 4.4bn. In response to persistently challenging economic conditions, the state indicated that it focused clearly on future expenditure and investment: with a total of EUR 707m, capital expenditure reached the highest level in Saarland's history. At the same time, this equated to an investment ratio of 11.3%. Particular attention was paid to the construction sector, where expenditure increased by +10% year on year to around EUR 78m. A non-recurring effect resulted in a record figure, EUR 954m in total, being paid into the municipal financial equalisation scheme. Minister of Finance Jakob von Weizsäcker summed up as follows: "The 2025 financial statements show that investment in the future and sustainable budget management go together even in challenging times. We consistently implement investment plans and, at the same time, comply with our repayment obligations for the purposes of debt sustainability." The Saarland budget includes gross credit authorisations of EUR 2.0bn (net: EUR 100m) for 2026. However, the sub-sovereign has not yet ventured onto the SSA primary market so far this year.

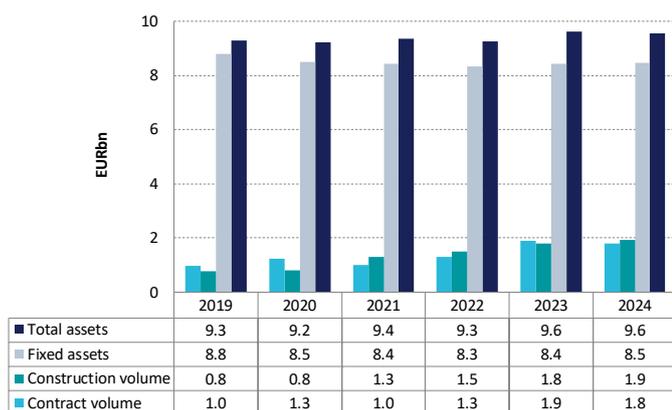
Société de Financement Local reports record profits in 2025

The French municipal and export financier Société de Financement Local (SFIL, ticker: SFILFR) has provided an insight into its figures for last year. As the relevant press release makes clear, net profits came to EUR 96m, which equated to an increase on the same period in the previous year of just under +39%, representing the highest level in its history. The balance sheet total also increased: at the end of the year, the agency reported aggregate assets of EUR 74.3bn (2024: EUR 71.9bn). It carried out four transactions as part of its provision of export credit finance worth EUR 3.6bn in total. This led to contracts worth EUR 10.3bn being concluded. Nine French export companies were involved in the transactions. SFIL's export credits have now exceeded EUR 20bn as a result of its business activities last year. The outlook in this segment also remains positive. At the end of 2025, it was examining 163 possible projects, which could potentially lead to export credit financing of EUR 64bn. Loans awarded to the French public sector came to EUR 5.6bn at the reporting date (-13%; 2024: EUR 6.3bn). The lion's share, at EUR 5.3bn, went to local authorities – primarily metropolitan regions, départements and regions, with the remainder going to public hospitals. As far as funding is concerned, SFIL (including the covered bond vehicle [CAFFIL](#)) had completed its funding for 2025 in October, having raised a total of EUR 8.6bn on international capital markets by then. The average term of the liabilities raised was 8.2y. A total of EUR 700m in pre-funding was additionally raised for 2026 via taps and private placements (average: 13.1y). SFIL therefore issued a total of EUR 9.2bn in long-term bonds with an average term of 8.5y in 2025. For the current year, SFIL (excl. CAFFIL) has announced a funding requirement of EUR 1-3bn (mean: EUR 2bn). The agency ventured onto the SSA primary market in mid-January and raised EUR 1bn with a term in excess of five years at OAT +20bp (equated to ms +45bp at the issuance date). The bid-to-cover ratio was 3.4x.

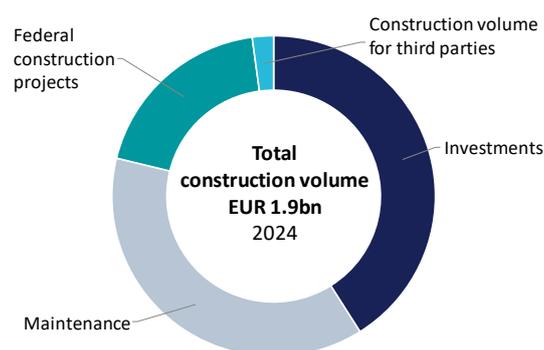
BLB NRW: Credit authorisations facilitate rising investment volumes

Bau- und Liegenschaftsbetrieb NRW (BLB NRW) is a special fund of the state of North Rhine-Westphalia, which, as the owner, manages most of the sub-sovereign's land and buildings. Its responsibilities range from developing and planning, construction and modernisation through to the management and sale of property. BLB NRW was established in 2001 under the Building and Property Management Act ([Bau- und Liegenschaftsbetriebsgesetz \[BLBG\]](#)) in order to create a central, efficient and modern point of contact for all enquiries relating to construction and property. It replaced the previous decentralised administration system via 28 state building authorities. BLB NRW is regarded as a special fund of the state with partial legal capacity that has its own financial and accounting system. The special fund is administered by the Ministry of Finance but is dealt with separately in the state budget and is detached from North Rhine-Westphalia's other assets as well as its rights and obligations. Section 3(3) of the BLBG also stipulates that the federal state is liable for all liabilities. According to its own figures, BLB NRW currently manages one of the largest property portfolios in Europe, comprising 3,983 buildings (as at December 2024). In 2024, total construction volume amounted to EUR 1.9bn (2023: EUR 1.8bn), while the order book stood at EUR 1.8bn (2023: EUR 1.9bn). Provision is made for independent borrowing in order to implement investment projects and ensure liquidity. Credit authorisations are granted under the Budget Act. The budget for 2026 provides for a credit authorisation of EUR 450m, with a further EUR 200m available subject to certain conditions being met. According to BLB NRW, further borrowing will also be required in 2027 in order to be able to finance the increasing investment volume. Unlike its owner, NRW (ticker: NRW, rating: AAA / Aa1 / AA / AAA), which we analyse in our [Issuer Guide – German Laender](#), BLB NRW does not have an independent credit rating. In terms of refinancing, the focus is mainly on private placements and registered bonds. In our opinion, the regulatory classification of BLB NRW is likely to be in line with that of North Rhine-Westphalia: pursuant to Art. 115(2) [CRR](#), a risk weight of 0% should therefore be applied to risk exposures to the special fund. This results in it being classified as a Level 1 asset in accordance with Art. 10(1)(c)(iii) of the [LCR Regulation](#). "Preferential" classification in the context of [Solvency II](#) is also likely to apply due to the guarantee provided by North Rhine-Westphalia. As regards [central bank eligibility](#), we believe that registered securities issued by BLB NRW are likely to be accepted by the ECB as "non-marketable assets". However, classification under Solvency II and in the context of ECB eligibility is not clear-cut in our opinion and should be assessed on a case-by-case basis.

Balance sheet development



Breakdown of construction volume



Primary market

News from the Near and Middle East continues to determine events on international capital markets, and the SSA primary market is of course also affected. Trump's game of escalation and de-escalation continues and the brief hope of a speedy end to the Iran war at the beginning of this week gave way to caution once more. In this respect, the situation remains chaotic, with market participants continuing to err on the side of caution in terms of their primary market activities against the backdrop of sustained uncertainty. However, issuers of the SSA segment in our definition were not by any means completely idle in the trading week under review, meaning that today we can report on two EUR benchmarks worth EUR 1.1bn in total. Shortly after our last edition went to press, two issuers ventured onto the market: the federal state of Brandenburg (ticker: BRABUR) kicked off proceedings with its first EUR benchmark in the current year, targeting investors with a bond worth EUR 600m and a term of six years. With an order book of EUR 1.2bn, the deal was priced in line with guidance at ms +15bp. On the same day, the Austrian federal state of Lower Austria (ticker: NIEDOE) also satisfied its capital requirements and placed EUR 500m (12y). The order book reached around EUR 2.8bn at the end of the marketing phase, meaning that the deal was completed at ms +50bp (guidance: ms +58bp area). Following a break of several days in issuance activity in the SSA segment, attention switched to the European Union (ticker: EU) this Monday, as it increased three of its bonds in the course of its third bond auction in H1/2026 (cf. [funding plan](#)). In the process, the amount of its 2030 bond (coupon: 2.5%) was increased by around EUR 2.3bn and that of the 2033 [green bond](#) (coupon: 2.75%) by just under EUR 1.6bn, while the 2034 security (coupon: 3.0%) was increased by EUR 1.9bn. The bid-to-cover ratios were 1.14x and 1.16x, respectively and 1.21x for the tap of the last-mentioned bond. Based on the new mandates published to date, we expect the following transactions in the near future: the operator of the Dutch electricity network, TenneT NL (ticker: TENNNL), plans to issue a green bond with a ten-year term and has been conducting discussions with investors for this purpose over the last two days. The placement will be arranged on the basis of the [Green Finance Framework](#), which was last updated in December 2025. We recently presented the issuer as part of our [weekly publication dated 14 January](#). Since 01 September 2025, TenneT NL has benefited from an [explicit guarantee](#) from the Dutch government for (virtually) all outstanding liabilities and those raised in the future. Only five bonds are excluded from the liability mechanism. TenneT NL plans to invest a total of EUR 90bn in expanding the network in the Netherlands up to 2034. These funds are largely to be financed by bond issues. The agency has announced a funding requirement of EUR 6-8bn for the current year. Funding will be raised solely in EUR. Furthermore, Republika Srpska (ticker: REPSBN), one of the two constituent entities of Bosnia and Herzegovina, intends to issue a EUR benchmark with a maturity of five years. The sub-sovereign estimates its funding requirements for the current year at around EUR 994m in total. The city of Munich (ticker: MUENCH) has also mandated for a new benchmark (10y) in the amount of EUR 500m (WNG).

Issuer	Country	Timing	ISIN	Maturity	Size	Spread	Rating	ESG
NIEDOE	AT	18.03.	AT0000A3SXX0	12.0y	0.50bn	ms +50bp	- / Aa1 / -	-
BRABUR	DE	18.03.	DE000A351US7	6.0y	0.60bn	ms +15bp	- / Aaa / -	-

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

Covered Bonds

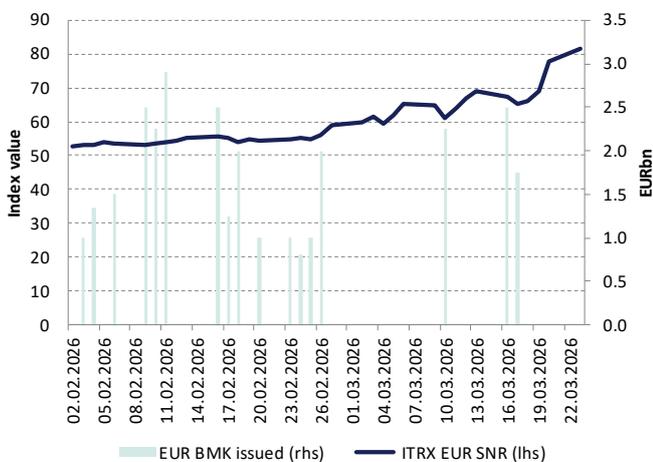
Issuers under pressure – attractive issuance windows limited

Authors: Lukas Kühne // Dr Norman Rudschuck, CIIA

Issuers waiting for the market to stabilise – new issues starting to pile up

In a market environment that remains characterised by uncertainty, covered bond issuers are increasingly asking themselves when might be the ideal time to place their respective new issues. While issuers of sovereign bonds and those from the SSA/Public Issuers universe have remained active on the primary market since the start of the Iran conflict, the current volatile market environment means that attractive issuance windows for covered bonds are very limited. Consequently, covered bond issuers are kicking their planned projects into the long grass and waiting for the market to stabilise before launching their new issues. This month, issuers apparently only thought three days were sufficiently “stable” to approach investors with new issues, placing seven covered bonds in total. The situation is even more extreme on the senior bond market, where only the Bank of Montreal was active with a EUR-denominated floater (issuance volume: EUR 750m). We consider the preference for covered bonds over senior bonds as an endorsement of the asset class, especially given their stability even during more difficult market phases. Nevertheless, the current geopolitical uncertainty is limiting the number of potential primary market issues and leading to a real backlog. Increasingly the question arises as to how long covered bond issuers can wait before they may have to approach investors in a less attractive market environment. Accordingly, the focus article of our weekly publication looks at the multitude of challenges facing issuers in the primary market. The key points include what is the fair value of a potential new issue and what are the implications of the changing interest rate environment.

iTraxx performance (February/March 2026)



iTraxx performance (March/April 2025)

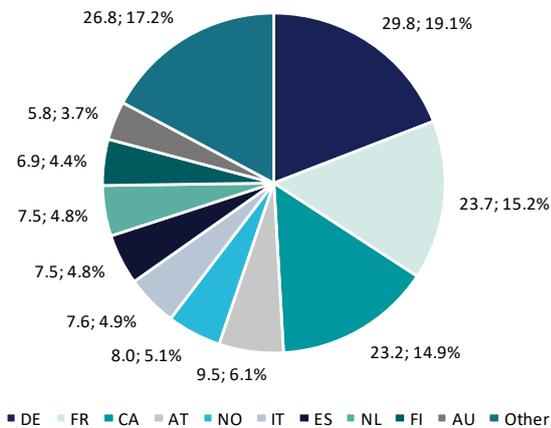


Source: Bloomberg, NORD/LB Floor Research

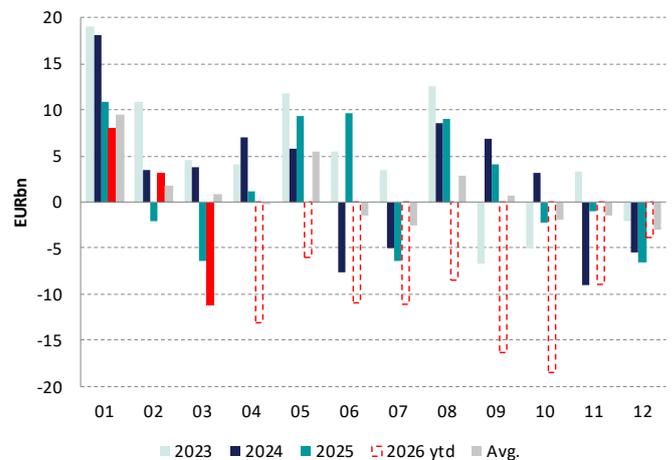
Volatile market environment limiting the number of attractive issuance days

In our view, the iTraxx Europe Senior Financial index, which includes 25 equally weighted credit default swaps of European institutions, can be used as a benchmark for market uncertainty. The index has risen from 59 points (27 February) to over 78 points (20 March) since the start of the Iran conflict. Especially on days of high volatility, not a single covered bond issuer has approached investors in the past three-plus weeks of trading. Instead, they chose days indicating a containment rather than an escalation of the conflict for their EUR benchmark issues. The short-term news situation and, in particular, the outlook for the next 24-48 hours appears to be more crucial than the absolute level. We also saw a similar scenario in early April 2025, when the US government announced its new tariff policy and established an entirely new trading regime with “reciprocal tariffs”. As a result, there was a sharp increase in risk premiums, leading to a brief issuance hiatus on the covered bond market. However, this quickly resolved itself following the US government’s announcement of a 90-day tariff pause. With regard to the iTraxx Europe Senior Financial index, we saw significantly higher levels back then, peaking at 92 points (09 April 2025), than we are now observing. However, the current situation is fundamentally different to what we faced just less than 12 months ago. The market reaction was stronger than is currently the case, but the tariff announcements by the US were a one-off event of limited duration and could be influenced by the US government to a large extent. In the Iran conflict, responsibility for escalating or de-escalating the confrontation is distributed among three significant actors. So far, the market reaction has been correspondingly more sustained, even though the impact of the conflict on our markets has remained limited to date. We believe that the issuance window for covered bond issuers is likely to reopen if the situation calms down, particularly around the Strait of Hormuz, and provided there are no attacks on energy infrastructure. As sentiment is very headline-driven, it is currently difficult to predict how long an open covered bond primary market that is attractive to issuers might last.

FY/2026: maturities EUR BMK



Net supply (m/m)¹



¹ Dotted bars represent maturities during the rest of the year, for which there have been no corresponding issues to date. It is therefore not possible to directly infer the potential net supply in the coming months.

Source: Bloomberg, NORD/LB Floor Research

Pressure mounts on issuers to promptly return to the market

In terms of the duration of the conflict, if the situation continues to escalate in the coming weeks, the question will arise as to how long individual issuers can continue to postpone making an appearance on the primary market before they are forced to issue a covered bond in a market phase that may be less attractive. At this juncture, it is particularly worth noting the high level of maturities in 2026 (EUR 156.2bn). Almost 38% of these (EUR 58.9bn) are in Q1/2026. In line with the low issuance activity, the net new issuance volume for March is currently in negative territory. In our view, this means that issuers will face growing pressure to return to the primary market in the coming weeks. We believe that covered bonds remain safe-haven products and that they should be able to be placed successfully even in a volatile market phase. If the tense geopolitical situation stabilises somewhat, we expect the backlog of issues to slowly subside, although risk premiums might rise even for covered bonds. The need for new issues becomes even clearer, taking into account the traditional seasonal pattern in the covered bond market. On average over the last four years, around 68% of all EUR benchmarks were placed in the first half of each year. According to our new issuance forecast (EUR 167.5bn), this would equate to a volume of covered bonds to be placed of around EUR 114bn in H1/2026. The shortfall of EUR 55.1bn will require a high volume of new issues in the second quarter and a rapid return to active primary market activity with as few interruptions as possible. As regards the high level of maturities in 2026, issuers from Germany, France and Canada in particular are likely to feel somewhat more pressure, although we do not expect all of Canada's EUR-denominated maturities in 2026 to be refinanced in euros.

Issuers weighing up ideal maturities again as interest rates look set to rise

As a result of the inflationary effects of rising oil and gas prices following the outbreak of the Iran conflict, implied interest rate probabilities for the Eurozone have risen significantly. As it was difficult to predict the duration of the military conflict and, consequently, its impact on inflation at the time, the ECB decided last Thursday (19 March) to leave key interest rates unchanged. Nevertheless, early indications ahead of the press conference suggested that a hike in interest rates at upcoming Governing Council meetings could by no means be ruled out. In light of this, the market is now pricing in two interest rate hikes by the end of the year. In line with the new expectations of market participants, we saw a significant increase in the swap curve. This was much more pronounced for shorter maturities than at the long end. The three-year swap rate has risen by more than 50bp since the beginning of the military conflict in the Middle East, while the rise in ten-year swap rates was only around 30bp. Consequently, the swap curve is rising less steeply than it was at the end of February. The question for covered bond issuers is undoubtedly which maturity they should choose for their next benchmark issue. We would expect issuers to be less inclined to go for longer maturities given the increase in yields in recent weeks. Consequently, the appeal of short-term bonds is likely to have risen following the higher yields, meaning that the execution risk associated with a new issue is likely to be lower for issuers of medium and short-term bonds than for long-dated deals – even though some real money investors such as pension funds or insurance companies are likely to be focusing more closely on the long end of the curve at the moment.

Fair value unclear: limited significance in a thin secondary market

In addition to the prospective rise in interest rates, it will be interesting to see, given the shift in market sentiment, the level of spread premiums required for new issues to ensure successful placement. New issue premiums for the seven EUR benchmarks placed in March have already risen significantly. However, the new issue premium of a deal largely depends on the previously determined fair value. Given the very low secondary market turnover, the gap between screen prices and secondary market prices and a severely limited supply of new issues, such fair value is of limited significance in our opinion. There is no doubt that investors are exhibiting greater spread sensitivity in relation to new issues on the primary market, coupled with a slight increase in secondary market prices for covered bonds. However, we do not yet believe that current secondary market prices already fully reflect the changed risk environment and would not rule out a further moderate rise in spreads. The question of what constitutes an appropriate fair value will undoubtedly arise for the first issuers who return to the market with fresh supply after the current issuance hiatus. This must, in particular, take account of the shift in risk sentiment and is likely to be higher than it was at the end of February. Issuers will undoubtedly need to make some concessions on the spread in the form of a new issue premium for initial transactions in order to increase the likelihood of success.

Conclusion and outlook

The current geopolitical uncertainty – in particular in relation to the Iran conflict – has dramatically increased market volatility and limited the number of attractive issuance windows for covered bond issuers to just a few days in recent weeks. In this tense situation, issuers are facing the challenge of striking a balance between optimal timing and mounting issuance pressure. A key indicator for market phases where covered bonds can also be placed successfully is the iTraxx Europe Senior Financial. As market volatility subsides, we believe that the issuance window for primary market transactions is likely to reopen. In this context, many issuers will be faced with the question as to what the fair value of a new issue should be. In our opinion, it will be higher than it was at the end of February. Limited concessions on spreads in the form of a new issue premium are also undoubtedly likely to be needed for initial issues.

SSA/Public Issuers

Update: Joint Laender jumbos (ticker: LANDER)

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

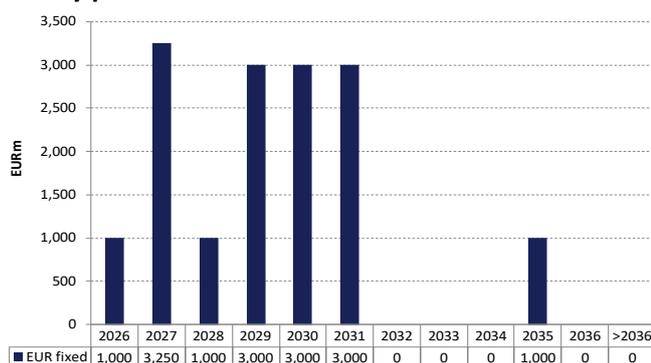
Introduction

An idiosyncrasy of the bond market in general, and one specific to the German sub-sovereign market, is the Joint Laender issuance vehicle. Within this framework, several German Laender issue joint bonds (known as “[Laender jumbos](#)”; issuance volumes starting from EUR 1bn), whereby each federal state assumes several (but not joint) liability for the issuance overall. As a result, joint and several liability structures do not exist for such deals. The first time that several Laender grouped together to issue such a bond was in 1996. Since then, the Joint Laender issuance vehicle has become an established presence on the bond market, with several sub-sovereigns joining forces to place bonds twice per year in most cases. The large-volume Laender jumbos enable the federal states involved, which are characterised by comparatively low refinancing requirements, to generate economies of scale that are reflected in lower interest expenses.

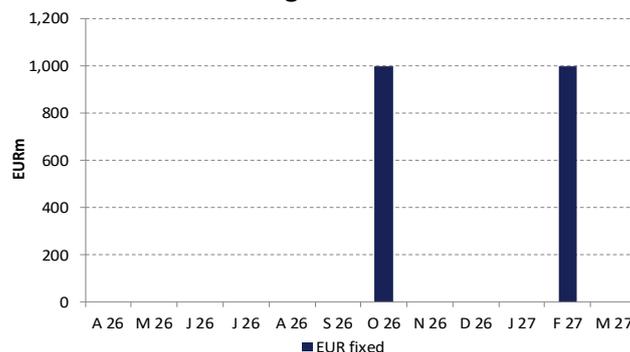
Participants, structure and rating

In total, six Laender (G6) are (still) involved in the bond issuances currently in circulation. While Saxony-Anhalt, Hesse and NRW ceased to use Laender jumbos as a funding instrument after the first issuance in 1996, with Berlin subsequently opting not to participate in the joint issuing vehicle since 2002, the following Laender have at times made use of Laender jumbos as key funding instruments: Bremen, Hamburg, Mecklenburg-Western Pomerania, Rhineland-Palatinate, Saarland and Schleswig-Holstein. In fact, these Laender have raised substantial amounts of their respective funding volumes by the joint issuances currently in circulation. With bond No. 47 falling due at the start of February 2025, Brandenburg recently dropped out of this group of issuers. As a result of the particular structure of the Joint Laender, there is no issuer rating. Instead, the rating agency Fitch rates each individual issuance in order to take account of the differing participation structures (several – but not joint – liability basis). However, this does not lead to any differences: since Laender jumbo #11, Fitch has awarded a rating of AAA to all bonds of this kind. As justification for the rating, Fitch cites the principle of federal loyalty and the reorganised system of federal financial equalisation payments (VAT distribution calculated on a per capita basis in full), in which it generally sees an exceptionally low default risk.

Maturity profile overall



Bond amounts maturing in the next 12 months

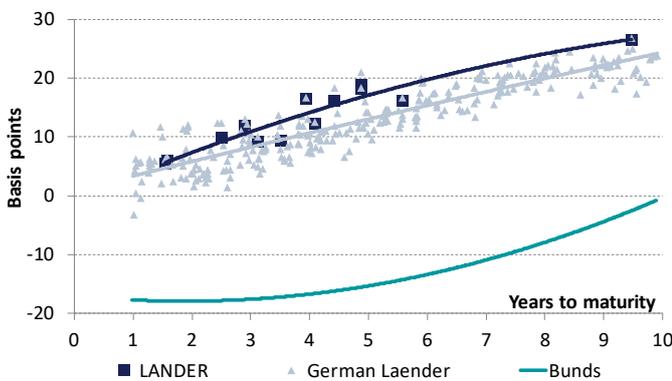


Source: Bloomberg, NORD/LB Floor Research

Outstanding volumes

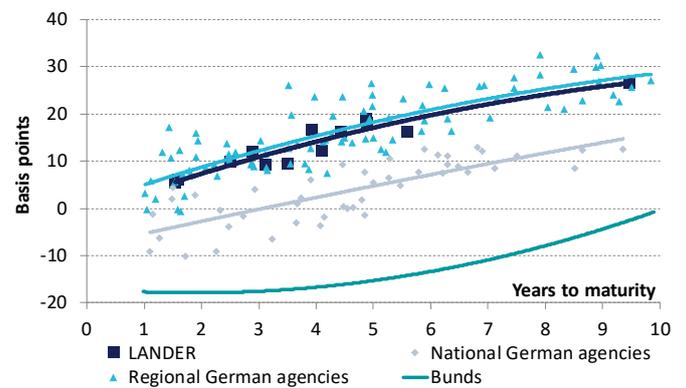
In total, the Laender jumbos exhibit an outstanding volume of EUR 15.25bn split across 15 bonds. The outstanding volume is EUR-denominated in full and features a fixed coupon. Other instruments such as Schuldscheindarlehen (SSD) are not jointly issued. Having issued a Laender jumbo in the form of a floating rate note (FRN; floater) in 2008, the Joint Laender has subsequently refrained from using this instrument for joint refinancing. Here, too, the coupon has long since been in the region of between 0.0% and 0.01%. The first year in which a zero preceded the decimal point was 2015. The series of bond deals has now reached #67 (cf. [weekly publication dated 24 September 2025](#)). This is also the longest-dated bond and is set to fall due in September 2035, while the largest bond at present comprises EUR 1.25bn (#53). We recently commented on the published (gross) credit authorisations of the Laender for 2026 in [mid-February](#), which currently amount to EUR 72.1bn (excluding Baden-Wuerttemberg; including our estimate for BADWUR this rises to around EUR 99bn). In light of this, we anticipate the placement of new bonds amounting to EUR 75-80bn, including new Laender jumbos in the amount of EUR 2.0-2.5bn. In terms of maturities, only Laender jumbo #51 is due for repayment this year (October; EUR 1bn), meaning that the gross supply could well turn out to be lower.

ASW spreads vs. Laender & Bunds

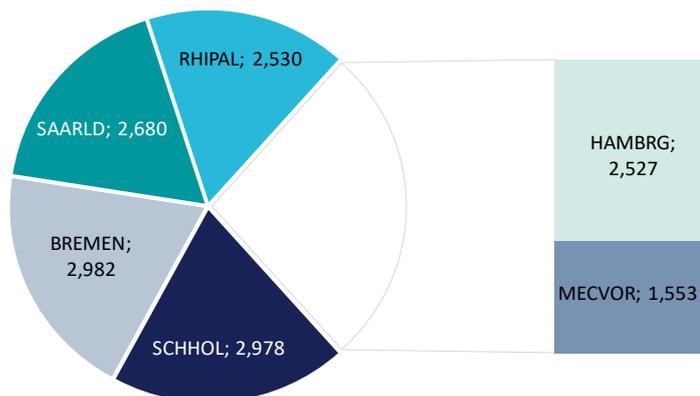


Source: Bloomberg, NORD/LB Floor Research

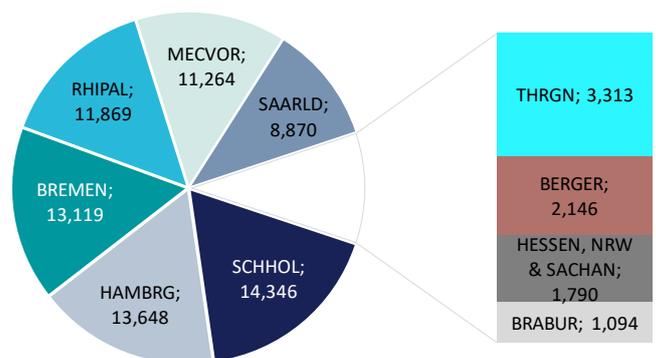
ASW spreads vs. German agencies & Bunds



Laender share of current outstanding volume (EURm)



Cumulative share of total issuance volume since 1996 (EURm)



Source: Ministry of Finance of Rhineland-Palatinate, NORD/LB Floor Research

Strengths/Chances

- + Includes smaller issuers
- + More liquid bond volumes

Weaknesses/Risks

- Participants tend to be Laender with budgetary problems, high-level dependency on the federal financial equalisation system and/or below-average economic output
- Complex structure
- Several (but not joint) liability

LANDER – a dinosaur on the brink of extinction?

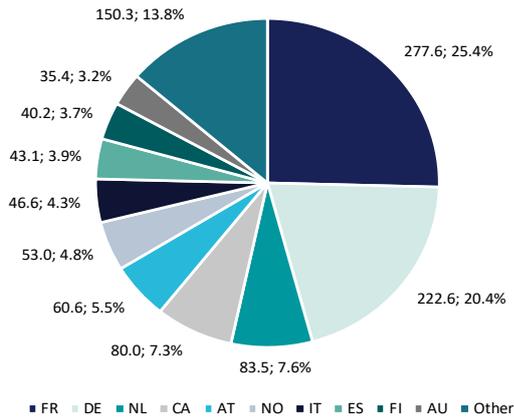
Although the relevance of German Laender bonds is likely to remain high in both calm and volatile market phases, we currently see signs that the LANDER construct in particular is increasingly being scrutinised by the sub-sovereigns (still) participating and that the appropriateness of the vehicle is likely to be called into question more frequently. We believe that the steady decline in the number of Laender participating in recent years speaks for itself in this respect. Although new LANDER issues have never been characterised by impressive order books, the demand for the most recent transactions was strikingly subdued in our opinion: for example, no final order books were published for bonds #65 and #67, from which we deduce that investor interest could only have been weak. Furthermore, all German Laender are generally able to refinance themselves on the capital market on relatively favourable terms and to any extent required, meaning that procuring financial resources via the Joint Laender issuance vehicle is increasingly taking a back seat. It is also important to keep in mind that the sub-sovereigns will receive a total of EUR 100bn over the next 12 years from the federal government's infrastructure and climate protection fund, which is likely to further reduce the need for LANDER issues.

Conclusion

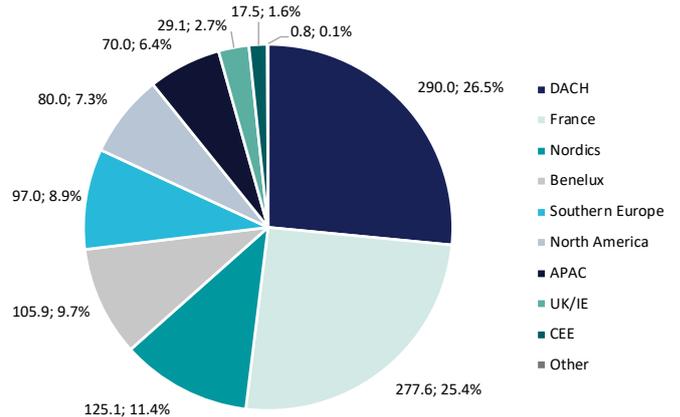
After the sole BULABO bond matured on 15 July 2020, the Joint Laender issuance vehicle represents the most complex remaining construct on the German sub-sovereign market. With an outstanding volume of EUR 15.25bn split across 15 bonds, Laender jumbos can be considered among the most liquid securities on the market. These bonds are not issued on the basis of joint and several liability, which is why this method requires some explanation. However, this does not lead to any differences: Fitch rates all Laender jumbos at AAA. As justification for the rating, Fitch cites the principle of federal loyalty and the reorganised system of federal financial equalisation payments, in which the rating agency generally sees an exceptionally low default risk. Looking at the maturity calendar and historical data, we expect at least one new bond deal to be issued this year. Credit authorisations published to date suggest that the Laender continue to have high (re-)financing requirements, which are still likely to be met largely via the capital market. New LANDER issues are likely to continue to make an important contribution (for the time being), but we believe that the future of this vehicle is likely to come under increasing scrutiny for the reasons outlined above.

Charts & Figures Covered Bonds

EUR benchmark volume by country (in EURbn)



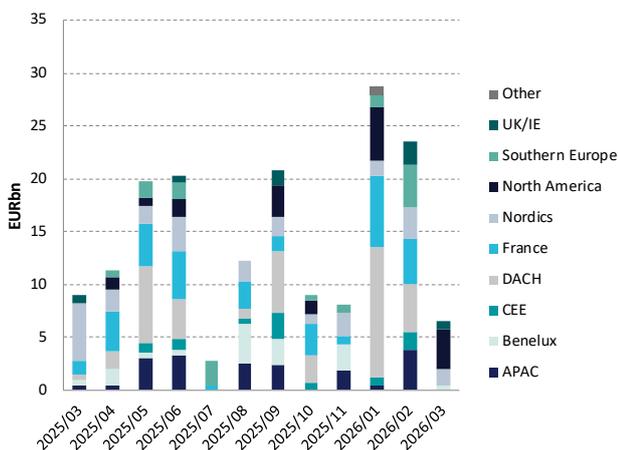
EUR benchmark volume by region (in EURbn)



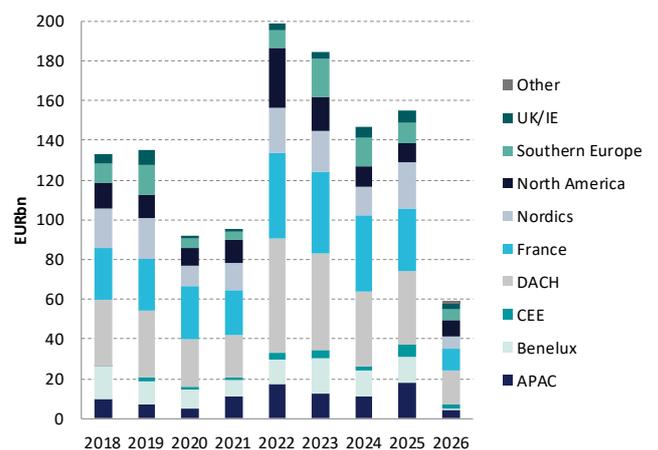
Top 10 jurisdictions

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	277.6	270	38	0.97	8.9	4.3	1.79
2	DE	222.6	313	49	0.67	7.9	3.6	1.82
3	NL	83.5	82	4	0.95	10.4	5.2	1.61
4	CA	80.0	63	1	1.25	5.5	2.3	1.85
5	AT	60.6	100	5	0.60	8.2	3.6	1.69
6	NO	53.0	62	12	0.85	7.1	3.3	1.57
7	IT	46.6	61	6	0.73	7.9	3.7	2.23
8	ES	43.1	42	4	0.99	9.0	3.2	2.19
9	FI	40.2	49	4	0.81	6.6	2.9	2.03
10	AU	35.4	36	0	0.98	7.2	2.9	2.03

EUR benchmark issue volume by month

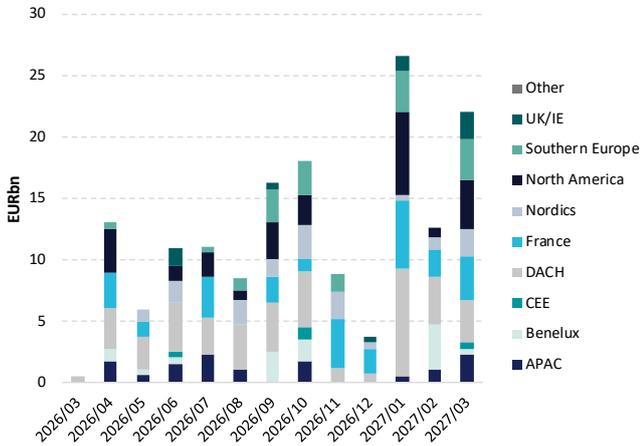


EUR benchmark issue volume by year

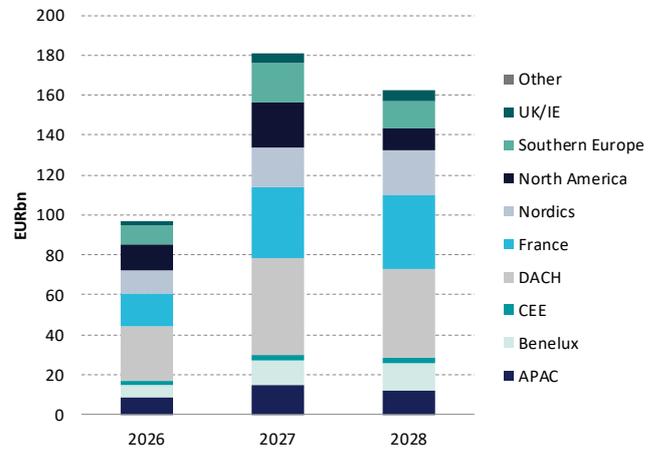


Source: Market data, Bloomberg, NORD/LB Floor Research

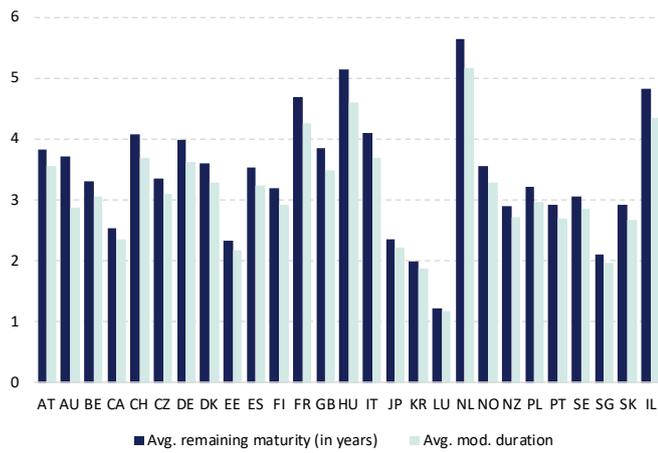
EUR benchmark maturities by month



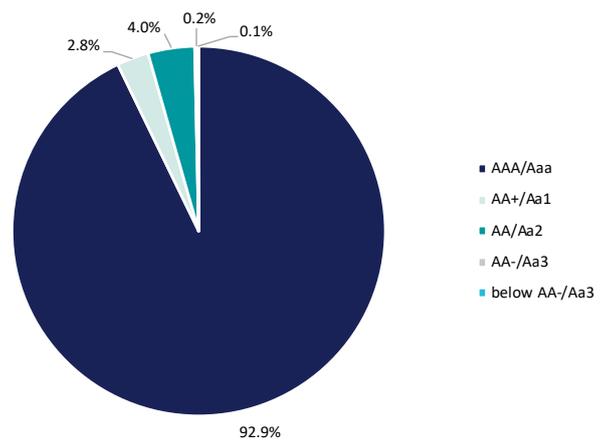
EUR benchmark maturities by year



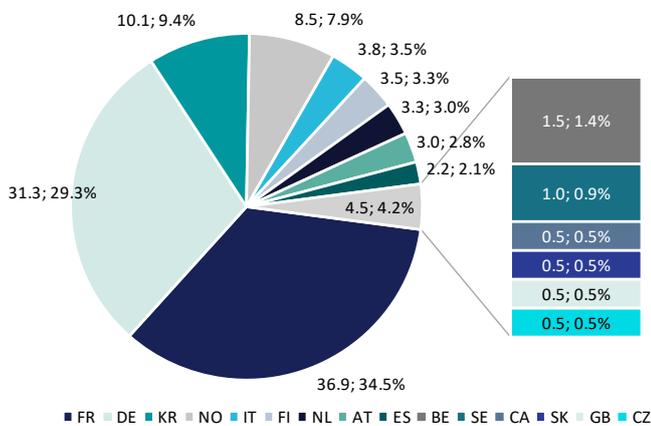
Modified duration and time to maturity by country



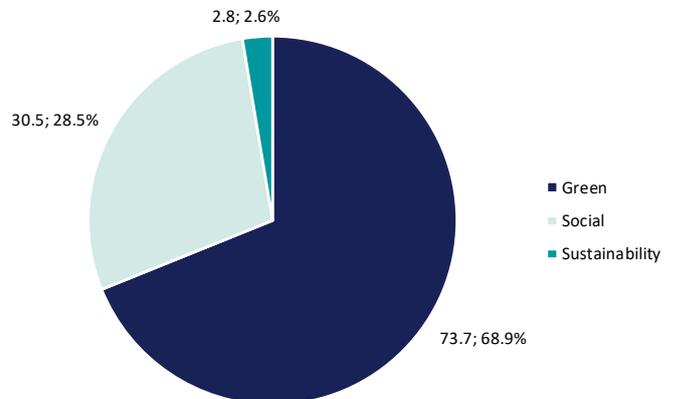
Rating distribution (volume weighted)



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

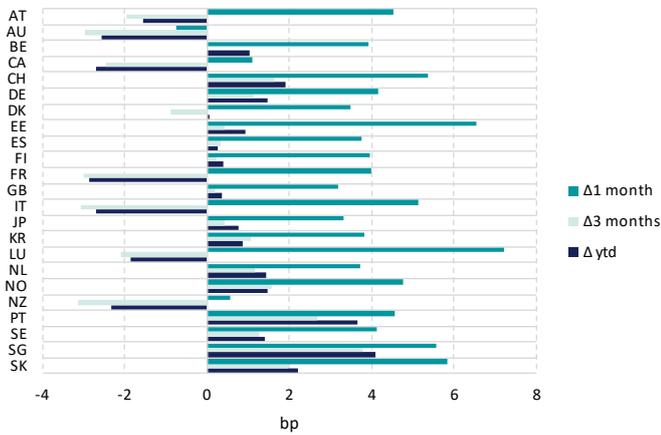


EUR benchmark volume (ESG) by type (in EURbn)

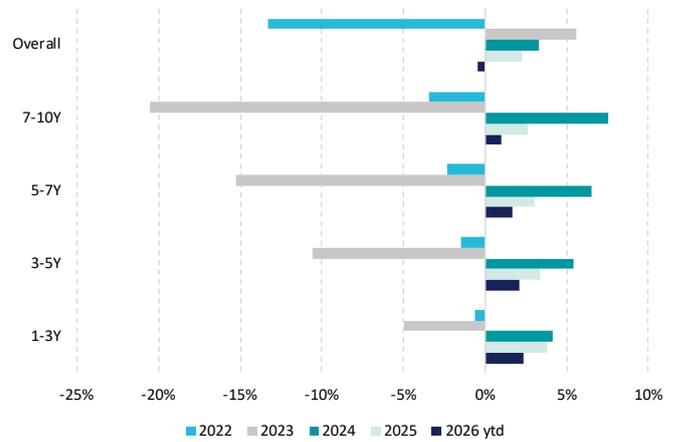


Source: Market data, Bloomberg, NORD/LB Floor Research

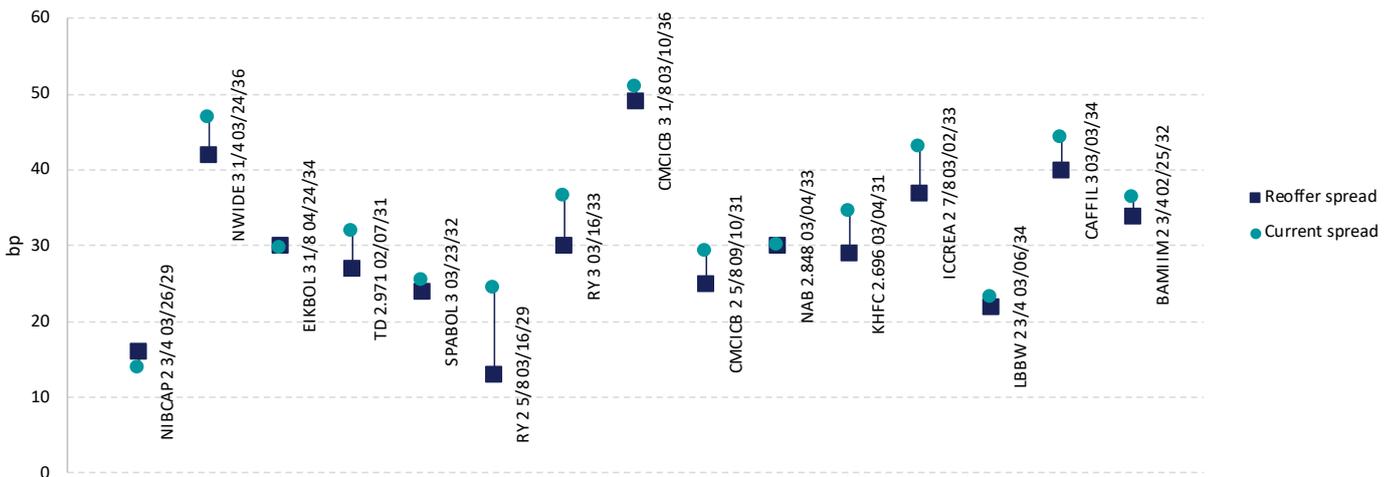
Spread development by country



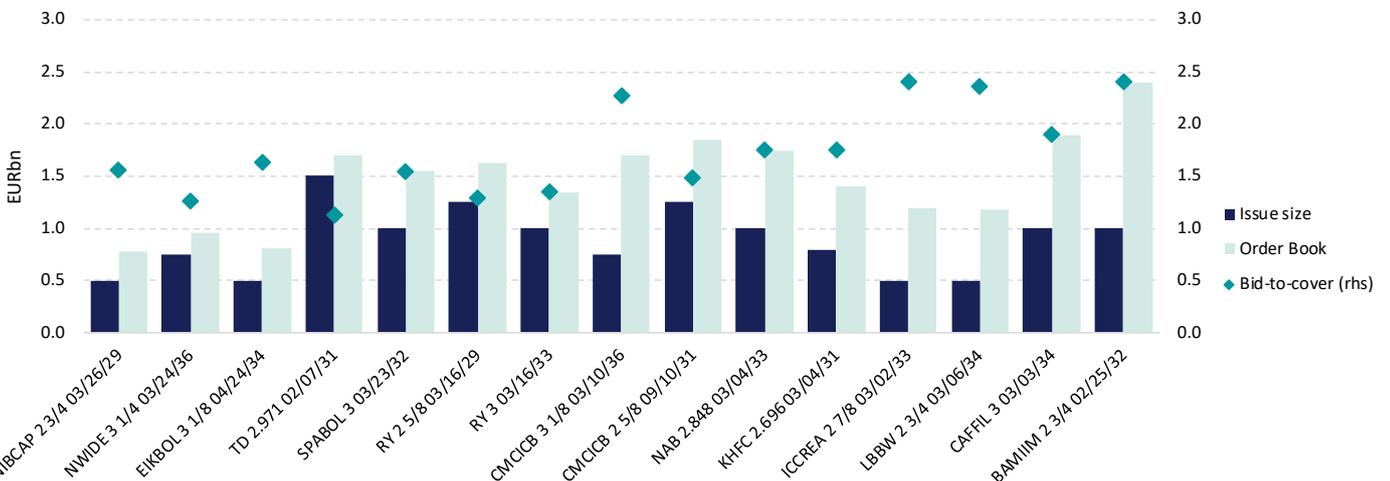
Covered bond performance (Total return)



Spread development (last 15 issues)

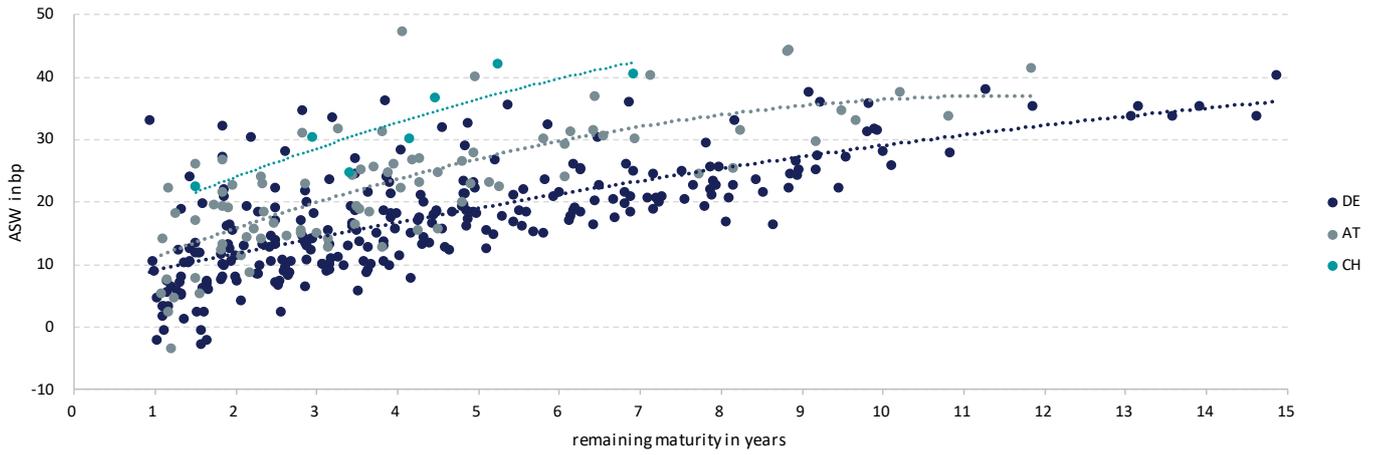


Order books (last 15 issues)

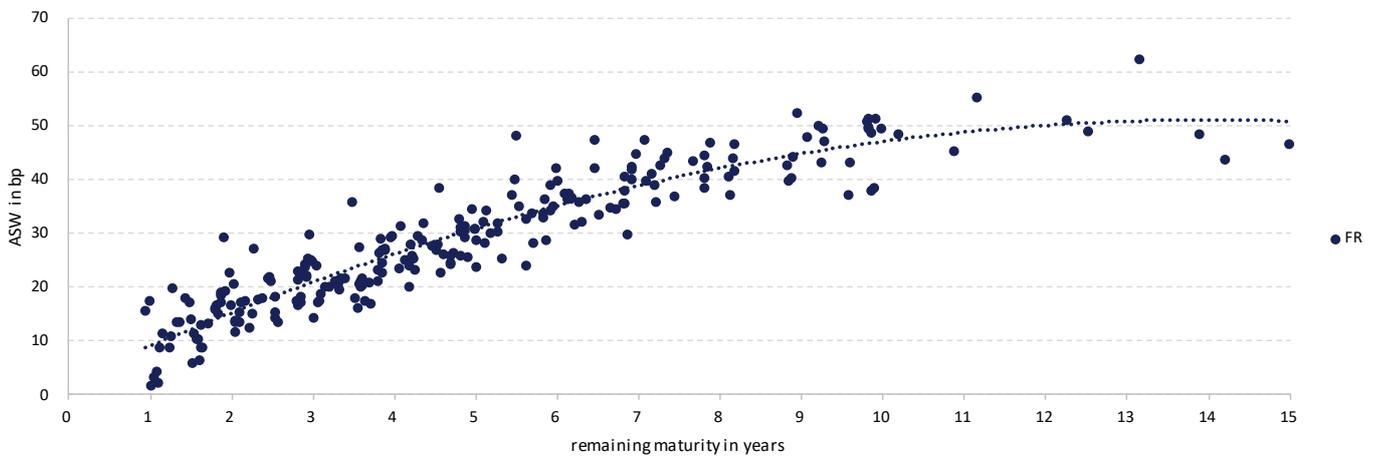


Spread overview¹

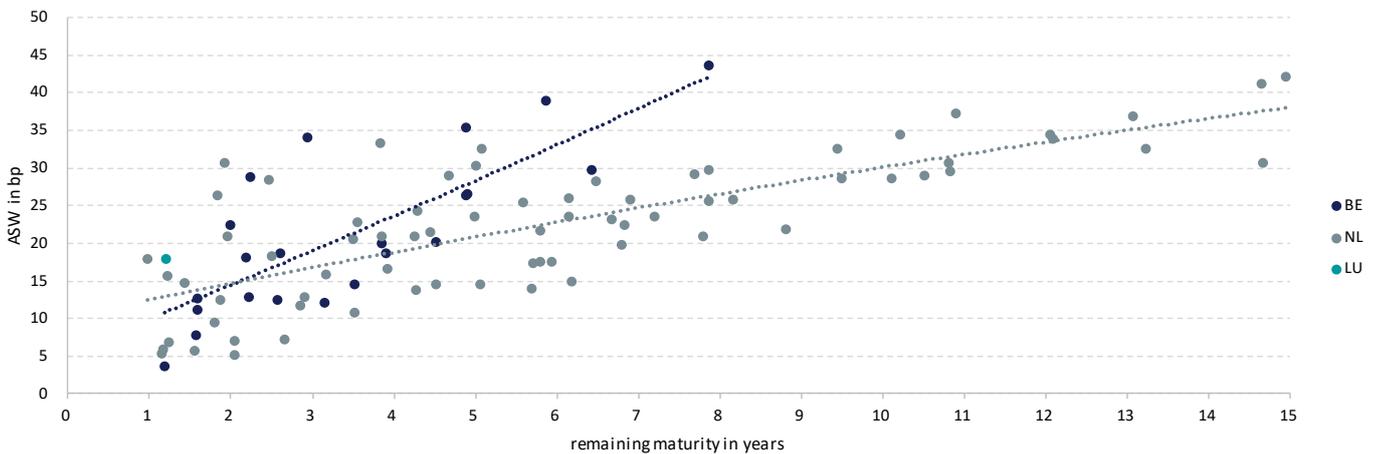
DACH 



France 

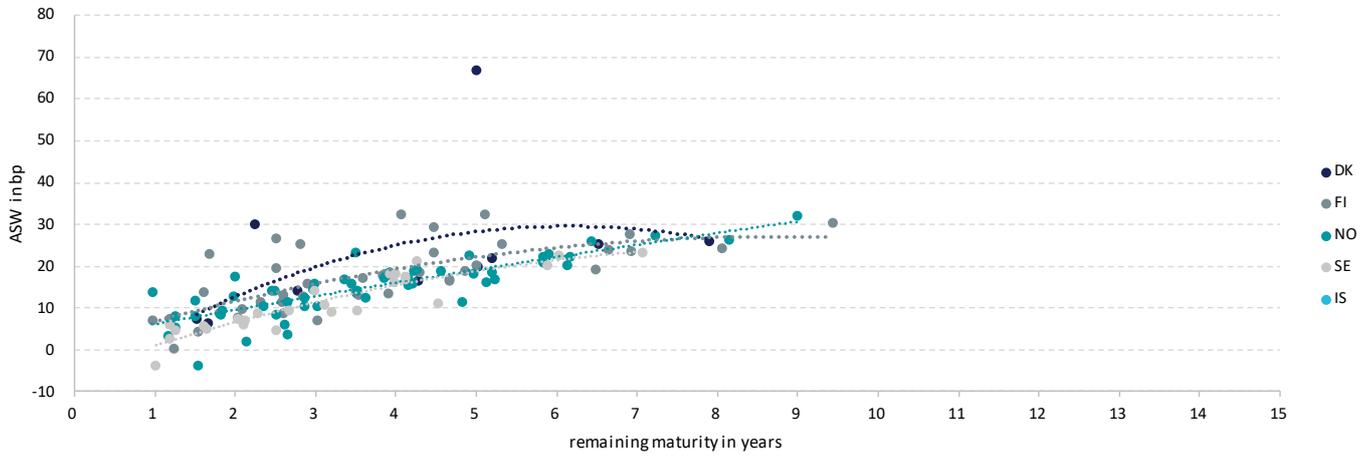


Benelux 

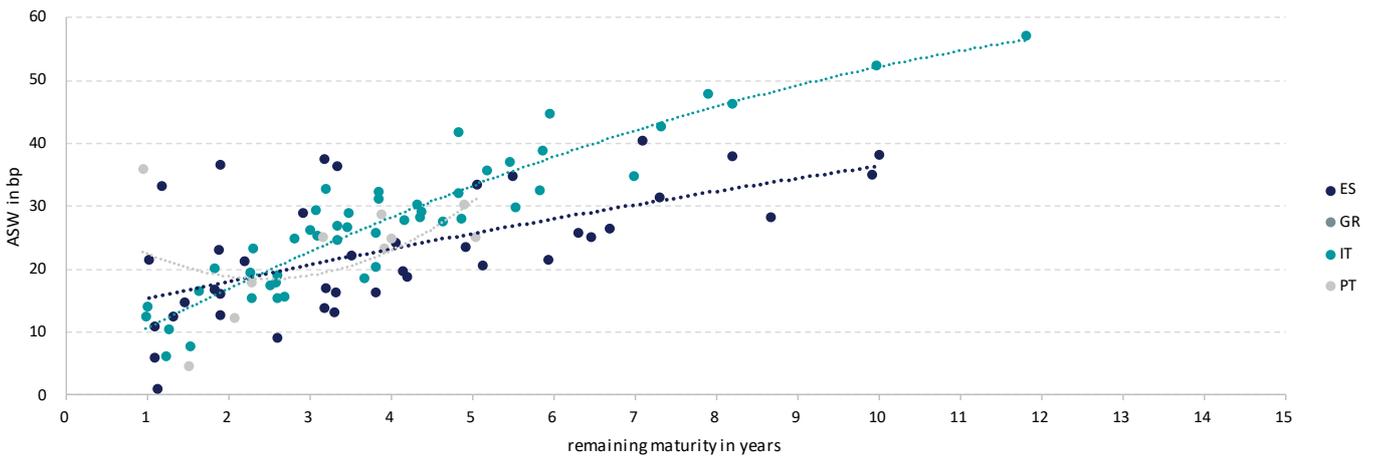


Source: Market data, Bloomberg, NORD/LB Floor Research ¹Time to maturity 1 ≤ y ≤ 15

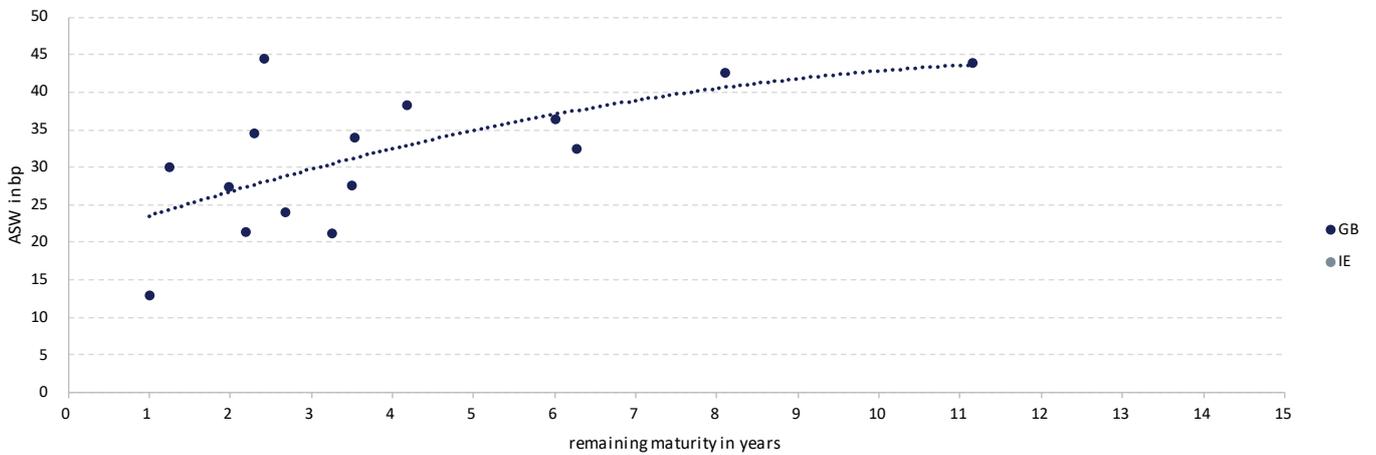
Nordics 🇩🇰 🇸🇪 🇳🇴 🇫🇮 🇮🇸



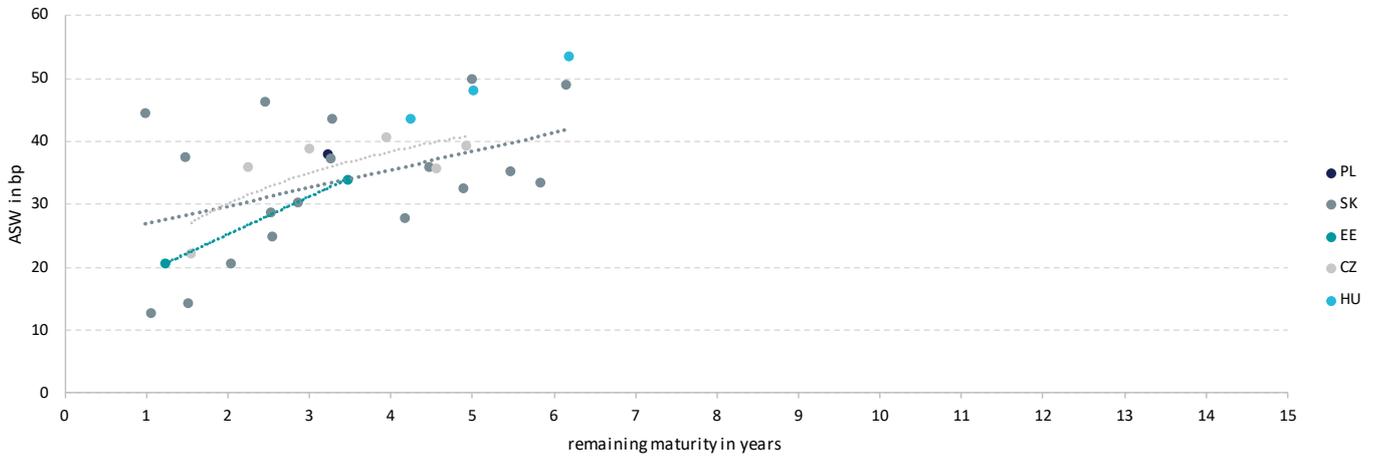
Southern Europe 🇪🇸 🇬🇷 🇮🇹 🇵🇹



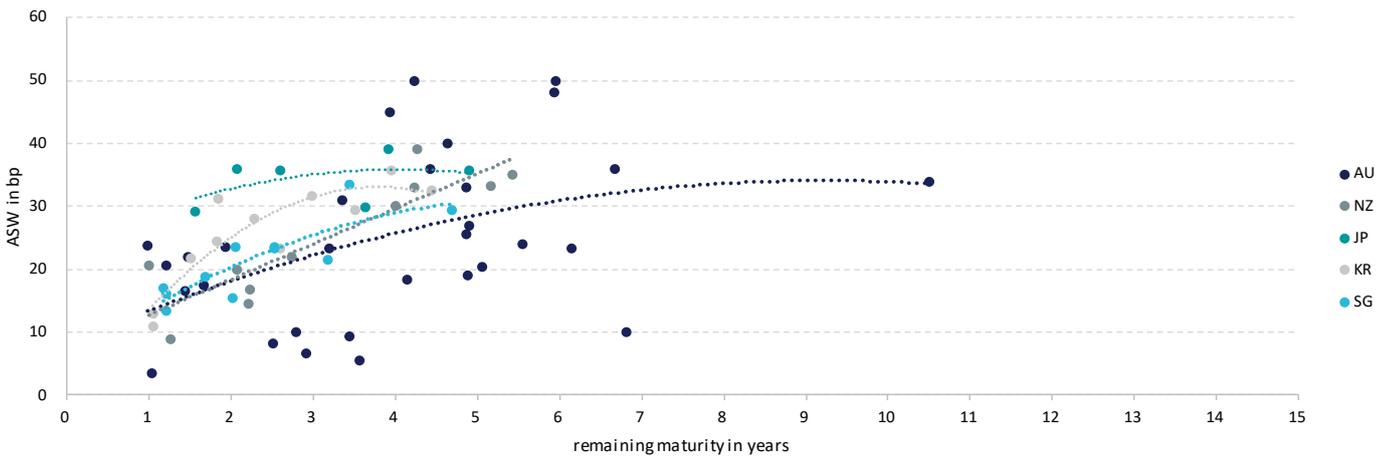
UK/IE 🇬🇧 🇮🇪



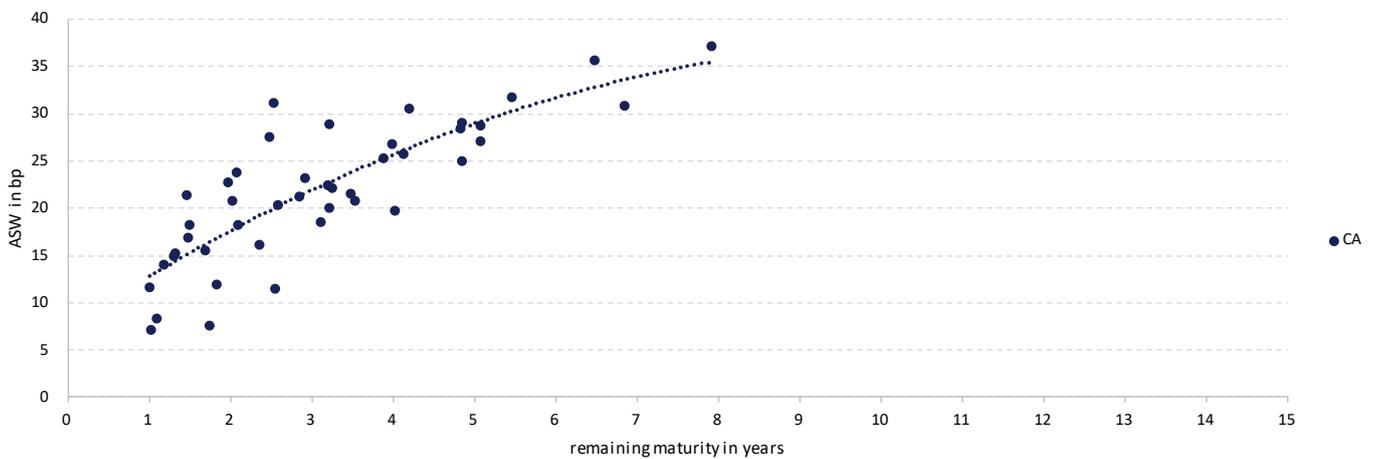
CEE 



APAC 



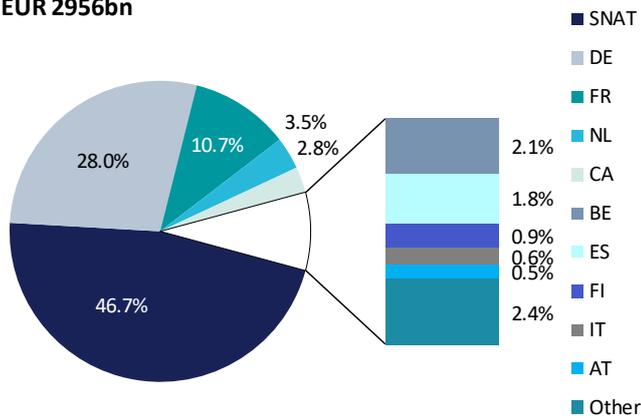
North America 



Charts & Figures SSA/Public Issuers

Outstanding volume (bmk)

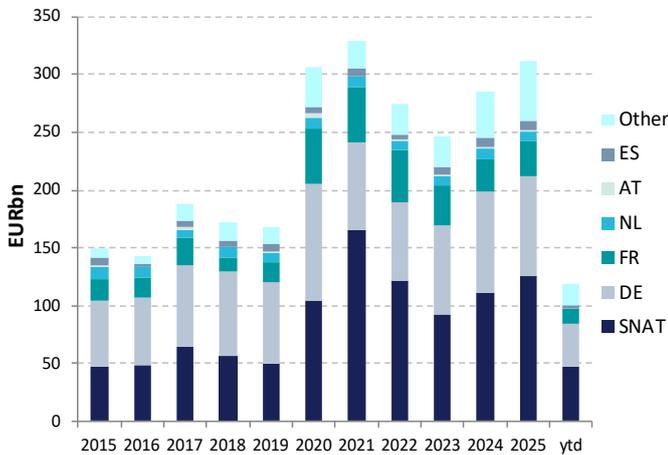
EUR 2956bn



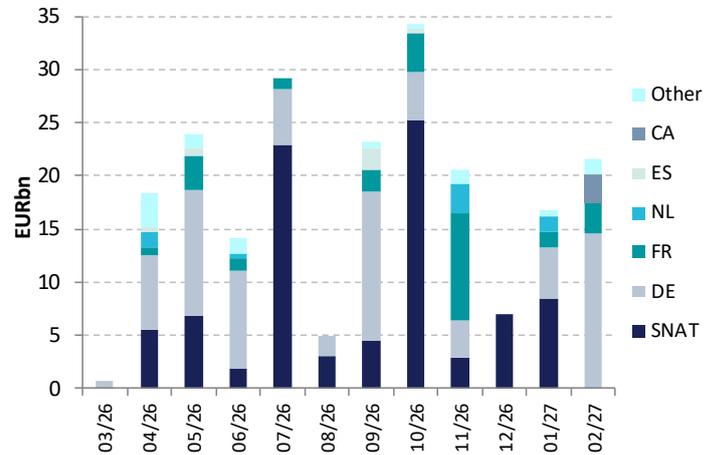
Top 10 countries (bmk)

Country	Vol. (EURbn)	No. of bonds	ØVol. (EURbn)	Vol. weight. ØMod. Dur.
SNAT	1,380.4	271	5.1	7.4
DE	828.1	626	1.3	5.7
FR	315.0	210	1.5	5.2
NL	102.5	91	1.1	5.8
CA	81.5	69	1.2	6.3
BE	61.9	56	1.1	9.2
ES	53.8	77	0.7	4.7
FI	27.2	28	1.0	3.7
IT	18.2	24	0.8	4.4
AT	15.0	22	0.7	5.0

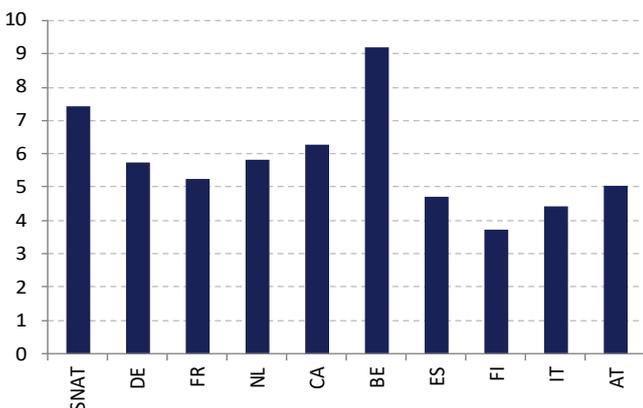
Issue volume by year (bmk)



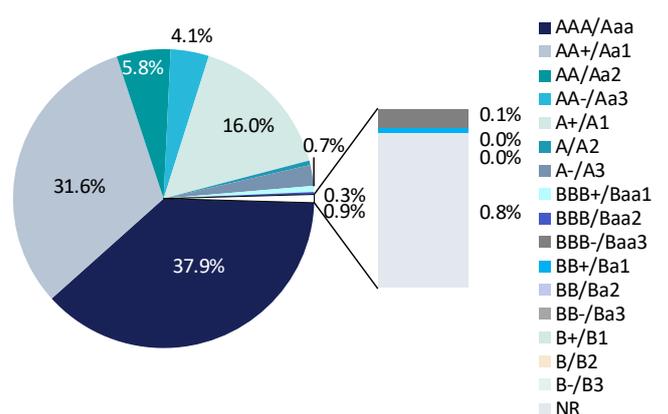
Maturities next 12 months (bmk)



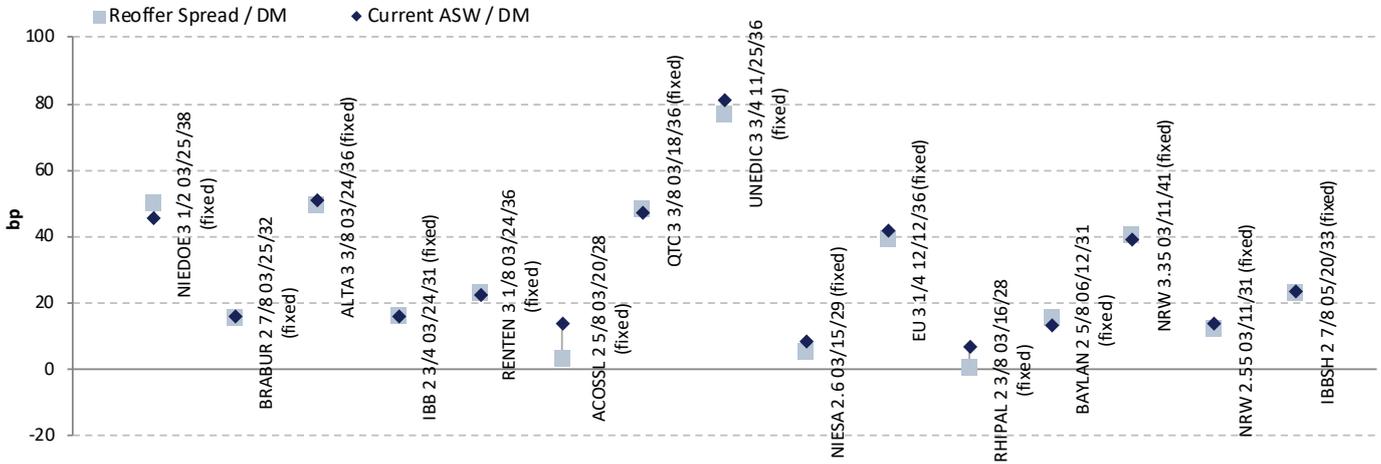
Avg. mod. duration by country (vol. weighted)



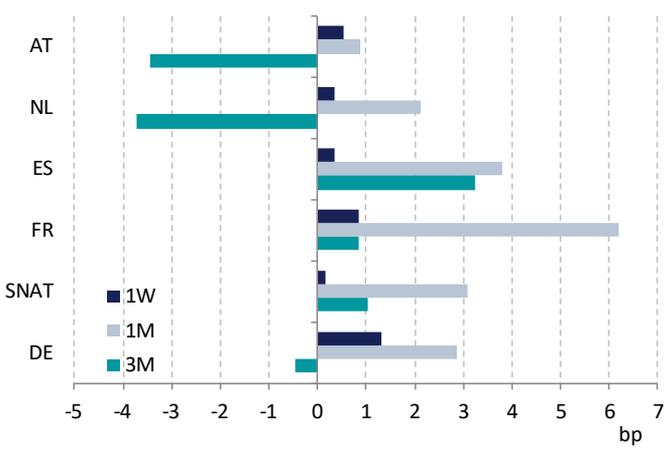
Rating distribution (vol. weighted)



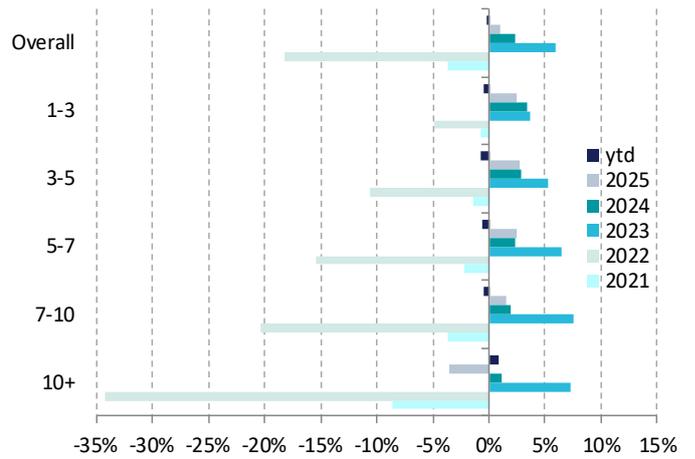
Spread development (last 15 issues)



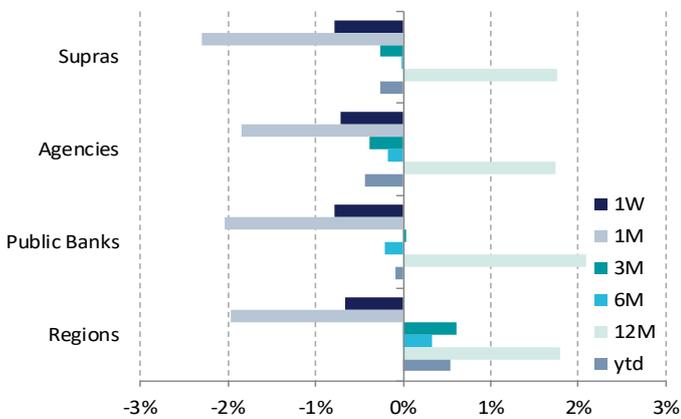
Spread development by country



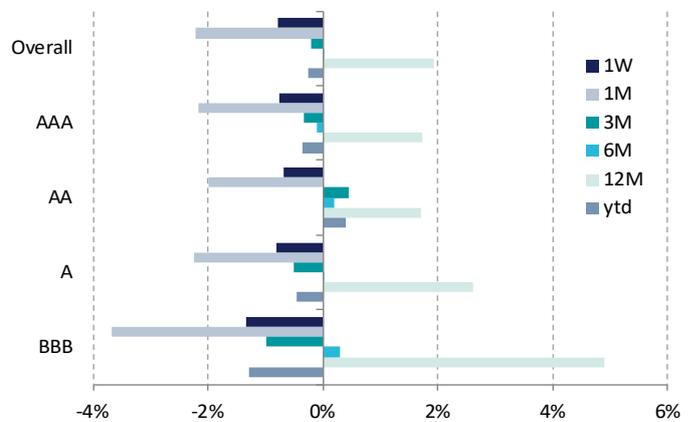
Performance (total return)



Performance (total return) by segments

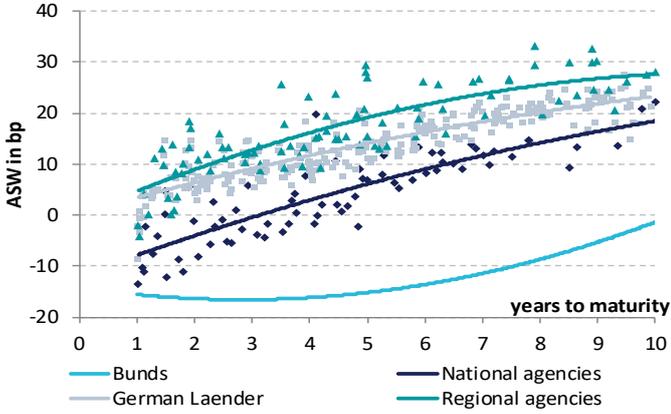


Performance (total return) by rating

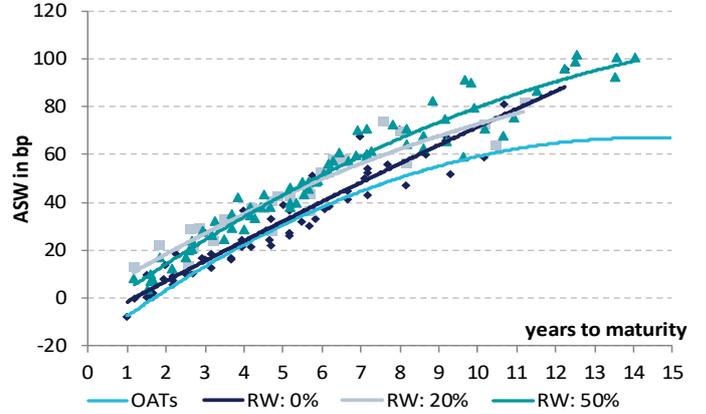


Source: Bloomberg, NORD/LB Floor Research

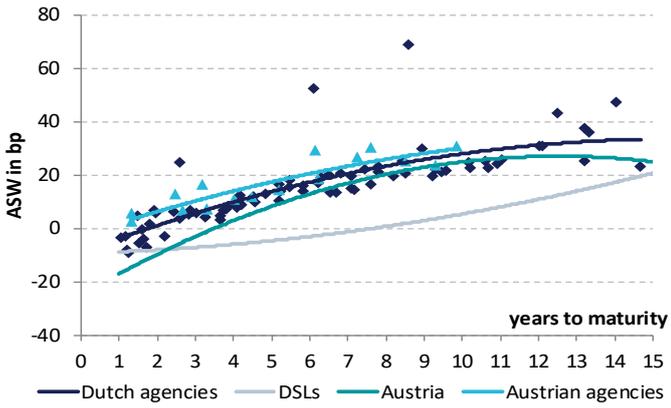
Germany (by segments)



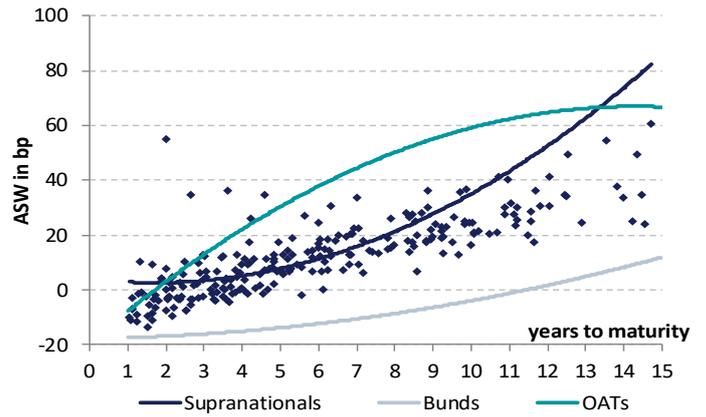
France (by risk weight)



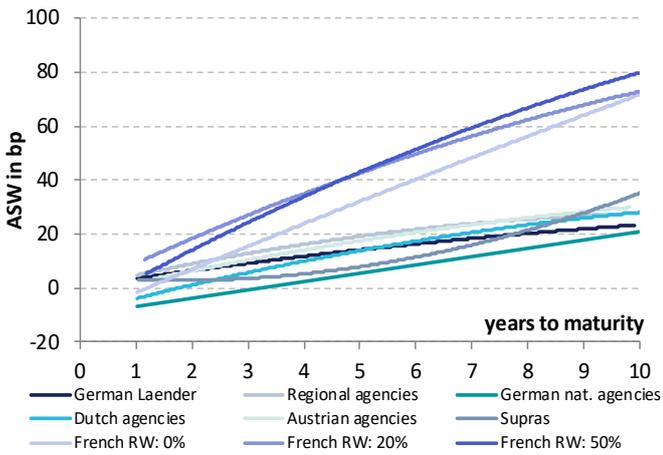
Netherlands & Austria



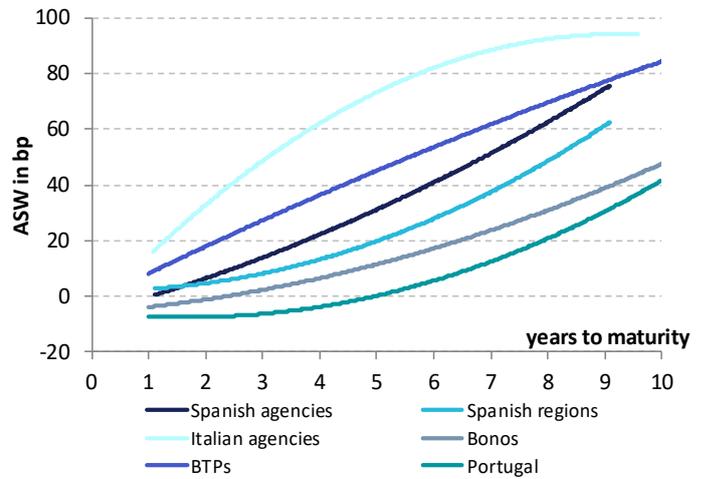
Supranationals



Core



Periphery



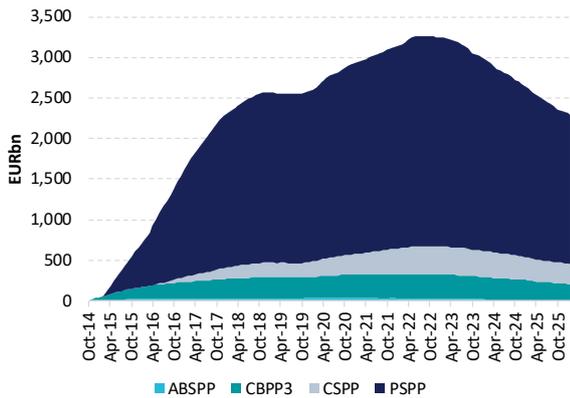
Source: Bloomberg, NORD/LB Floor Research

Charts & Figures

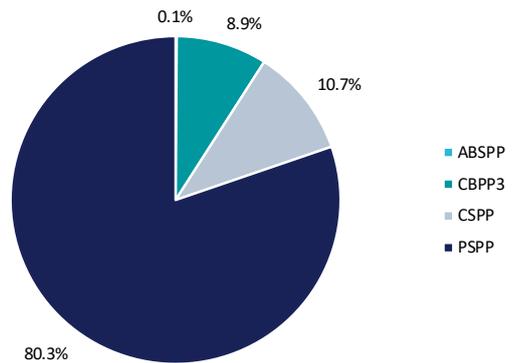
ECB tracker

Asset Purchase Programme (APP)

APP: Portfolio development



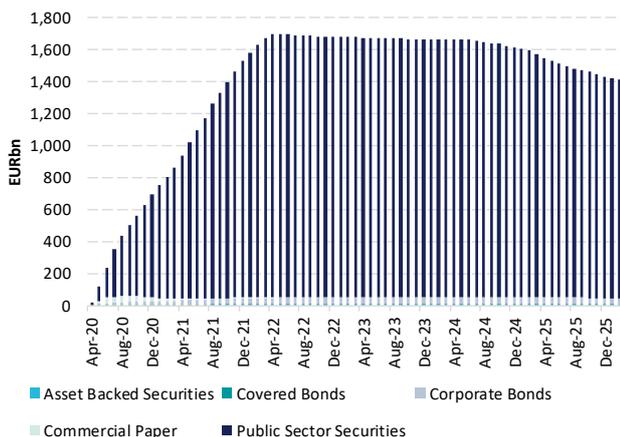
APP: Portfolio structure



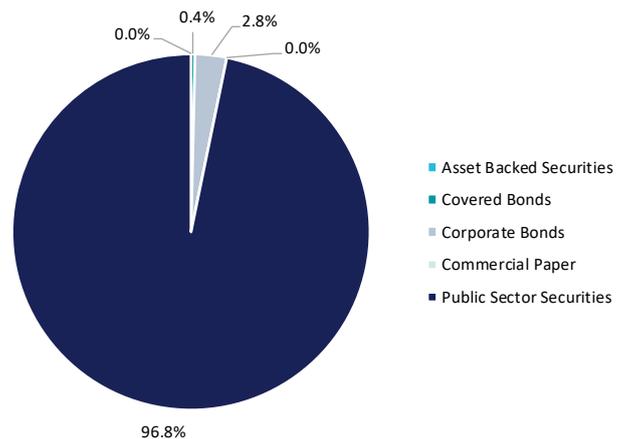
Expected monthly redemptions (in EURm)



PEPP: Portfolio development



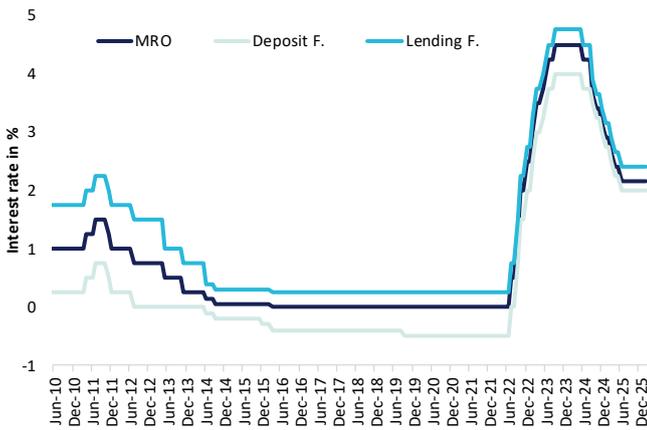
PEPP: Portfolio structure



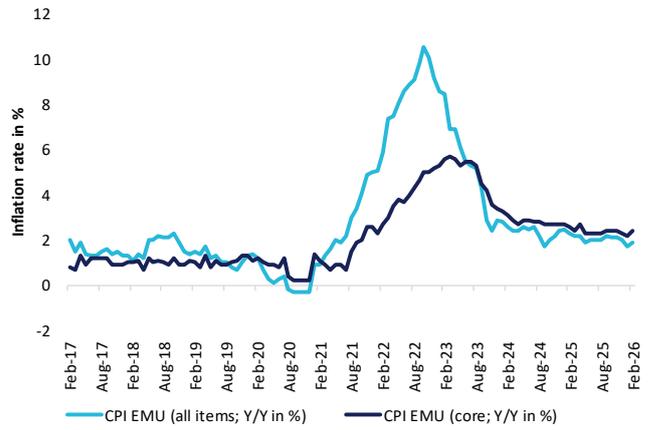
Charts & Figures

Cross Asset

ECB key interest rates



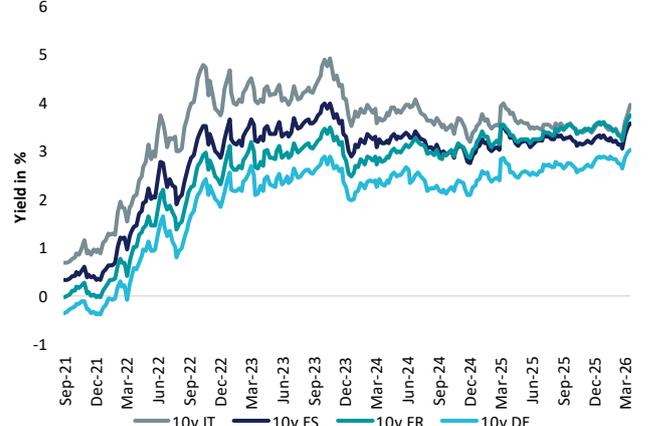
Inflation development in the euro area



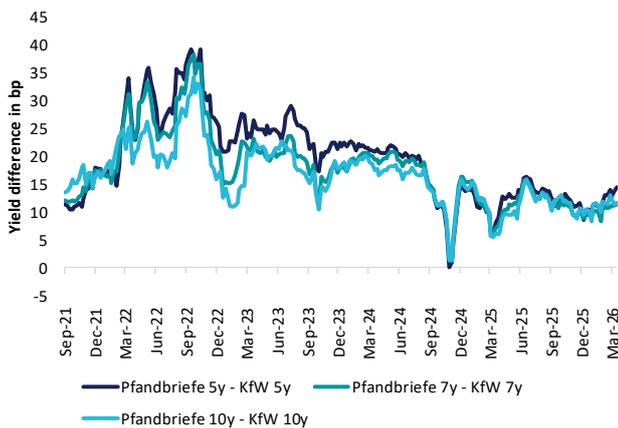
Bund-swap-spread



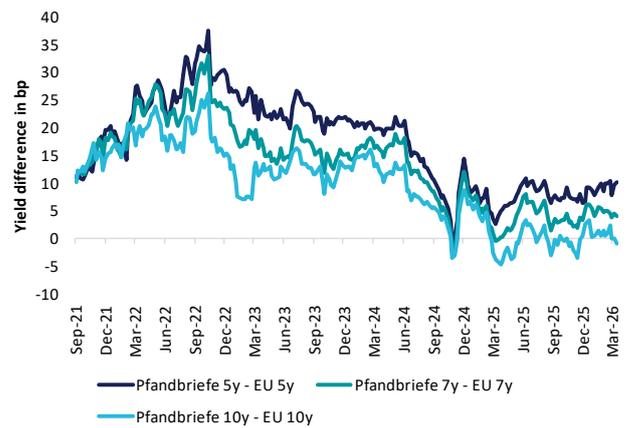
Selected yield developments (sovereigns)



Pfandbriefe vs. KfW



Pfandbriefe vs. EU



Appendix

Overview of latest Covered Bond & SSA View editions

Publication	Topics
08/2026 // 18 March	<ul style="list-style-type: none"> ▪ Covereds: Transparency requirements §28 PfandBG ▪ Teaser: Issuer Guide – Non-European Supras (MDBs) 2026
07/2026 // 04 March	<ul style="list-style-type: none"> ▪ Public sector covered bonds: comeback on the cards? ▪ Export Development Canada – spotlight on EDC
06/2026 // 25 February	<ul style="list-style-type: none"> ▪ CEE region: growing covered bond markets ▪ Current risk weight of supranationals & agencies
05/2026 // 18 February	<ul style="list-style-type: none"> ▪ Development of the German property market (vdp index) ▪ Credit authorisations of the German Laender for 2026
04/2026 // 04 February	<ul style="list-style-type: none"> ▪ Covereds: Will the issuance momentum be sustained beyond January? ▪ The SSA January is over – what else can we expect from 2026?
03/2026 // 28 January	<ul style="list-style-type: none"> ▪ CB jurisdiction in the spotlight – Austria ▪ 34th meeting of the Stability Council
02/2026 // 21 January	<ul style="list-style-type: none"> ▪ The covered bond universe of Moody's: an overview ▪ Review: EUR ESG benchmarks 2025 in the SSA segment
01/2026 // 14 January	<ul style="list-style-type: none"> ▪ Annual review of 2025 – Covered Bonds ▪ SSA: Annual review of 2025
43/2025 // 17 December	<ul style="list-style-type: none"> ▪ Cross Asset: Dutch pension funds in the spotlight
42/2025 // 10 December	<ul style="list-style-type: none"> ▪ Focus on spread relationships: Covereds vs. Seniors ▪ Teaser: Beyond Bundeslaender – Belgium
41/2025 // 03 December	<ul style="list-style-type: none"> ▪ 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	<ul style="list-style-type: none"> ▪ Cross Asset // Call for evidence: EU Taxonomy under review
39/2025 // 19 November	<ul style="list-style-type: none"> ▪ A covered bond view of the Nordics ▪ Teaser: Issuer Guide – French Agencies 2025
38/2025 // 12 November	<ul style="list-style-type: none"> ▪ Covereds: Development of the German property market (vdp index) ▪ Funding strategies of Canadian provinces – an overview
37/2025 // 05 November	<ul style="list-style-type: none"> ▪ Covereds: Savings banks as primary market issuers ▪ Auvergne-Rhône-Alpes Region – spotlight on REGRHO
36/2025 // 29 October	<ul style="list-style-type: none"> ▪ Covereds: A look at the EUR sub-benchmark segment ▪ SSA: Canadian pension funds in the spotlight
35/2025 // 22 October	<ul style="list-style-type: none"> ▪ ESG benchmark segment at a crossroads? ▪ Teaser: Issuer Guide – European Supranationals 2025
34/2025 // 15 October	<ul style="list-style-type: none"> ▪ Greece: covered bond jurisdiction on the rise? ▪ Agencies and resolution instruments of the BRRD
33/2025 // 08 October	<ul style="list-style-type: none"> ▪ Solvency II and covered bonds ▪ NGEU: Green Bond Dashboard

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 Q4/2025](#) (quarterly update)

[Transparency requirements §28 PfandBG Q4/2025 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 \(MDBs\) 2026](#)

[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: Holding course for now – but the wind has turned](#)

Appendix

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