



## Covered Bond & SSA View

NORD/LB Floor Research

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Marketing communication (see disclaimer on the last pages)

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## Floor analysts:

**Dr Norman Rudschuck, CIIA**  
Head of Desk  
[norman.rudschuck@nordlb.de](mailto:norman.rudschuck@nordlb.de)

**Lukas Kühne**  
Covered Bonds/Banks  
[lukas.kuehne@nordlb.de](mailto:lukas.kuehne@nordlb.de)

**Elias Degener**  
Covered Bonds/Banks  
[elias.degener@nordlb.de](mailto:elias.degener@nordlb.de)

**Lukas-Finn Frese**  
SSA/Public Issuers  
[lukas-finn.frese@nordlb.de](mailto:lukas-finn.frese@nordlb.de)

**Tobias Cordes, CIIA**  
SSA/Public Issuers  
[tobias.cordes@nordlb.de](mailto:tobias.cordes@nordlb.de)

## Covered Bonds

### Market overview

Authors: Lukas Kühne // Dr Norman Rudschuck, CIIA

#### Primary market: imminent deal in the Middle East supports issuance activities

After the primary market had already proven to be pretty resilient to political and macroeconomic uncertainties over recent weeks, the announced deal between the belligerents in the Near and Middle East conflict supported this development at the start of the current trading week. For example, aside from the dynamic issuance activities in other fixed income markets, a total of five deals were also recorded in the covered bond segment on Monday and Tuesday. Bayerische Landesbank got the ball rolling on Monday. In making its second appearance in this segment in 2026, the German issuer placed a public sector Pfandbrief with a volume of EUR 500m (3.0y) at a reoffer spread of ms +7bp. This reinforces the trend of tight spreads for covered bonds, after Münchener Hypothekbank secured an identical spread for a 3.0y Pfandbrief of its own last week. Both banks now share first place for the tightest deal of the year, as measured against the asset swap spread. Yesterday (Tuesday, 16 June), a wide range of maturities and jurisdictions were observed in the primary market. Banco Bilbao Vizcaya Argentaria (BBVA) from Spain approached investors with a dual tranche that targeted the short and medium maturity segments, featuring terms of 3.0y (EUR 1.25bn) and 7.0y (EUR 1.0bn). Conversely, Crédit Agricole Italia opted for the long end (11.0y) for its deal worth EUR 1.0bn. With issuance activities having primarily been focused on the short end and medium maturities, this is actually the first transaction to feature a maturity in excess of 10.0y since the end of January. Raiffeisenlandesbank Oberösterreich rounded things off with a 5.3y deal in the amount of EUR 500m (WNG). Two overseas issuers were also active in the market last week. While the Canadian Bank of Nova Scotia issued EUR 1.25bn (4.0y), Westpac from Australia opted for a dual tranche that served both the short (EUR 1.25bn, 3.7y) and long (EUR 600m, 10.0y) ends.

Issuer	Country	Timing	ISIN	Maturity	Size	Spread	Rating	ESG
BBVA	ES	16.06.	ES0413211B41	3.0y	1.25bn	ms +14bp	- / Aaa / -	-
BBVA	ES	16.06.	ES0413211B58	7.0y	1.00bn	ms +27bp	- / Aaa / -	-
RLB Oberösterreich	AT	16.06.	AT0000A3VG25	5.3y	0.50bn	ms +24bp	- / Aaa / -	-
Credit Agricole Italia	IT	16.06.	IT0005715724	11.0y	1.00bn	ms +59bp	- / Aa2 / -	-
Bayerische Landesbank	DE	15.06.	DE000BYL0J59	3.0y	0.50bn	ms +7bp	- / Aaa / -	-
Westpac Banking Corp	AU	12.06.	XS3413338065	3.7y	1.25bn	ms +20bp	AAA / Aaa / -	-
Westpac Banking Corp	AU	12.06.	XS3413338149	10.0y	0.60bn	ms +42bp	AAA / Aaa / -	-
Bank of Nova Scotia	CA	10.06.	XS3412551551	4.0y	1.25bn	ms +19bp	AAA / Aaa / -	-

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

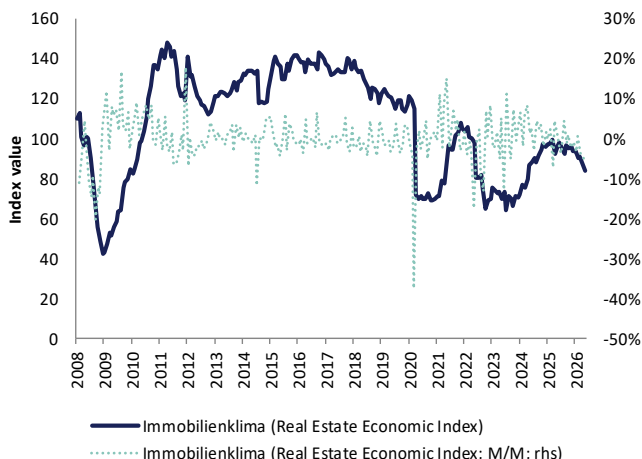
#### Secondary market: demand chiefly focused on the short end

In the secondary market, spreads remained very stable over the past trading week. In comparison with recent weeks, demand for recently issued bonds tailed off noticeably, which meant that there was little in the way of secondary trading activities to speak of. Investor interest is primarily directed towards covered bonds at the short end (terms to maturity of up to three years).

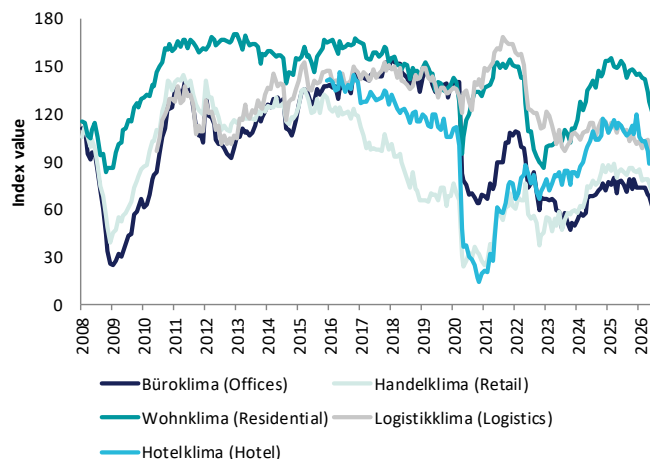
**Deutsche Hypo real estate climate index: further deterioration in June**

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. Similar to the summer weather at present, rain clouds hovered above the real estate climate index in June and ensured that the downward trend, which has been in evidence for several months now, continued as we approach the halfway point of the year. In total, around 1,000 real estate experts were surveyed as part of the 222nd [monthly survey](#). Overall, the real estate climate index fell by -5.3% to 79.4 points in comparison with the previous month, meaning that the index has now lost 14.2 points since the beginning of the year. Compared with the prior-year level, the decline amounts to -19.3%. This development reflects declines in both the investment climate (-3.6% M/M) and the earnings climate (-6.7%). The former, in particular, has been under real pressure since the beginning of the year and has declined by -23.1% year on year. In contrast, the earnings climate has fallen by “just” -15.4%. Moreover, declines were seen in almost all of the sub-segments examined. The sharpest fall was recorded in the office climate, which fell by -9.0% month on month. This was followed by the retail climate (-6.6%) and the residential climate (-4.8%). The latter, however, remains at a comparatively high level of 122.1 points. The logistics climate remained relatively stable in June, declining by only -0.9% month on month. Only the hotel climate developed positively in the June survey, rising by +3.2% in total. Ingo Albert, head of the Frankfurt am Main branch of Deutsche Hypo, does not consider the recent deterioration of the real estate climate index to be surprising at all. Rather, he attributes it to the complex macroeconomic and political environment. “Without a significant economic upturn, no positive impetus can be expected for the real estate market in the short term”, he explains. In terms of a primary pain point, Albert highlights the sharp rise in energy prices resulting from the Middle East conflict, which have proven to be a price driver along the entire value chain. In addition, last Thursday’s announcement confirmed the ECB’s anticipated shift towards a more restrictive monetary policy, which is likely to exacerbate the dampening effect on real estate markets. The wait-and-see attitude adopted by market players is said to be reflected in particular in the new construction segment, which has reportedly lost significant momentum. Against this backdrop, Albert expects the real estate climate index to stabilise at a low level in the coming months, before a new growth path could emerge in the medium to long term.

**Real estate climate – overall index / change (M/M)**



**Real estate climate index by segment**



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

**Fitch: South Korean covered bond market benefiting from stable basis**

While the South Korean market for EUR benchmark covered bonds can be regarded as among the smaller of its kind, there are still active institutions with regular primary market activities in this jurisdiction. At present, four issuers have outstanding covered bonds in this market segment. With an outstanding volume of EUR 6.85bn (accounting for an overall market share of 64.9%), Korea Housing Finance Corp (KHFC) is way out in front, followed at some distance by Kookmin Bank (EUR 2.1bn), KEB Hana Bank (EUR 1.1bn) and Shinhan Bank (EUR 500m). Covered bonds with a volume of EUR 1.4bn have already been issued from South Korea in the current calendar year. A distinctive feature of the South Korean covered bond market is the focus on ESG bonds. In fact, there is just a single EUR benchmark bond placed by a South Korean issuer that is not classified as a green, social or sustainability bond. Since the beginning of 2024, only covered bonds with a sustainable character have been issued. The rating experts from Fitch analysed the South Korean covered bond market in general as well as the issuers that form part of its rating universe (Kookmin, KEB Hana and Shinhan) as part of its recently published [Peer Credit Analysis](#). All three of the assessed programmes are awarded Fitch's top rating AAA and are characterised by high overcollateralisation (OC) ratios that ensure substantial rating buffers to protect against deteriorations in credit quality and potential episodes of market stress. A structural feature known as bankruptcy remoteness also protects the cover pools of South Korean issuers in the event of issuer insolvency. Additional stability is provided in the form of regulatory issuance limits (8%), which in practice rarely exceed 4%. Since the majority of the loans held in the cover pool have fixed interest rates, the borrowers' short-term interest rate risks are reduced, and the cover pools can rely on a stable cash flow. As such, Fitch identifies potential risks not in the fundamental design of the programmes, but rather solely with regard to macroeconomic and monetary policy factors. Aside from the interest rate environment (market players are working on the assumption of a future interest rate hike), Fitch highlights in particular the currency composition of the cover pools. These mostly tend to consist entirely of KRW loans, while covered bonds are generally issued in foreign currencies. Although exchange rate risks are fully hedged by swaps, the rating experts consider a swap default to be possible in a potential default scenario. As a result, the recovery uplift for the programmes is limited to one notch. Overall, the report depicts the South Korean covered bond market as a conservatively regulated, extremely robust credit market, where structural and macroeconomic risks play a much more prominent role than traditional credit risks.

**PSD Bank Hessen-Thüringen approves merger with BBBank**

Following successful exploratory talks, the boards of the mortgage bond issuer BBBank and PSD Bank Hessen-Thüringen have approved a merger, which is expected to be finalised before the end of this year. The merged institution, which will operate under the name BBBank, will ultimately constitute one of Germany's largest cooperative retail banks with total assets of approximately EUR 24bn. In particular, the merger represents an attempt to combine innovative strength and regional presence in order to further expand the personal-digital business model in the retail banking segment and to strengthen the market position in the long term. In strategic terms, the merger neatly fits into the ongoing consolidation trend in the cooperative banking sector, the development of which is being primarily influenced by increasing regulatory requirements, high digitalisation costs and growing margin pressures.

## SSA/Public Issuers

### Market overview

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

#### **Early GLF repayment: ESM and EFSF waive their proportional repayment claims**

The Boards of Directors of the European Stability Mechanism (ticker: ESM) and the European Financial Stability Facility (ticker: EFSF) have agreed to waive the mandatory proportional repayment obligation for Greece of ESM/EFSF loans in connection with its early repayment obligation to the Greek Loan Facility (GLF) lenders. Background: the loan agreements between the ESM and the EFSF and Greece are structured in such a way that an early repayment to certain creditors – e.g. the GLF lenders – simultaneously triggers a proportional early repayment obligation to the ESM and the EFSF. However, the waivers now granted remove this obligation. In addition, the Board of Directors of the ESM approved the use of funds from a dedicated cash buffer account to partially fund this prepayment to the GLF lenders. Both measures described were granted in response to a formal request from the Greek government, which proposed an early repayment of loans under the GLF originally due in 2029 and 2033-2035, in an aggregate amount of EUR 6.94bn. Following this transaction, the funds held in the cash buffer account will be exhausted. The GLF was part of the first financial support programme for Greece, which was agreed in May 2010 and consisted of bilateral loans totalling EUR 52.9bn from 14 Eurozone sovereigns, of which EUR 26.3bn remains outstanding. In addition, the ESM has published its annual report for 2025. This shows that the supranational achieved a net profit of around EUR 2.0bn last year, representing a significant increase compared with the previous year (2024: EUR 1.8bn). At the same time, this was the highest net profit since its establishment in 2012. The rise in profit is reportedly above all driven by improved income generated from its paid-in capital and reserve fund investments. In line with established practices, the full annual net profit was allocated to reserves, bringing the ESM's total reserve fund to just under EUR 7.3bn.

#### **Bremen and Saarland to again receive restructuring aid of EUR 400m each in 2026**

There was good news for the German sub-sovereigns Free Hanseatic City of Bremen (ticker: BREMEN) and Saarland (ticker: SAARLD): in a letter dated 29 May 2026, the Federal Ministry of Finance (BMF) confirmed that both Laender had complied with the requirements of the Restructuring Assistance Act (SanG) regarding the reduction of excessive debt in the calendar years 2024 and 2025. This means that both sub-sovereigns can also expect to receive restructuring aid payments of EUR 400m each in the current year. However, this is unlikely to provide any additional financial leeway, since the restructuring aid has already been factored into the budget planning for 2026. “Despite the most difficult of circumstances, we have managed to secure a significant amount of funding for Bremen. Nevertheless, the financial situation remains tight,” commented Bremen's Finance Senator Björn Fecker, adding that in view of existing risks, including those arising from the Iran conflict, “there is no alternative to strict budgetary discipline”. Saarland's Finance Minister Jakob von Weizsäcker takes a similar view but emphasised the importance of investment: “If you want sound budgets in the long term, you must tangibly improve the conditions for growth, employment and value creation through investments in the future.”

**EU budget 2027: focus on defence, infrastructure and growth**

The European Commission recently published its draft for the 2027 EU budget. Against the backdrop of recent years, which have been marked by the COVID-19 pandemic, rising inflation, the energy crisis and increasing geopolitical tensions and military conflicts, a budget of EUR 200bn is being proposed. In view of the growing uncertainties, particularly in the areas of defence, infrastructure and the energy transition, this budget is to be invested to strengthen competitiveness. Russia's war of aggression against Ukraine has underlined the need for major investments in security and defence in the Member States. In this context, the main focus is on further advancing the implementation of the [ReArm Europe Plan/Readiness 2030 programme](#). Ukraine will also remain a key priority for financial support in the coming year. A total of around EUR 96bn will be made available for the years 2026 and 2027 through the Ukraine Facility and the Ukraine Support Loan. Alongside security policy considerations, economic stability and competitiveness are among the EU's other priorities. Accordingly, more funding is to be channelled into key programmes such as the [Connecting Europe Facility](#) and the [Single Market programme](#). The largest items of expenditure are agriculture and fisheries (EUR 54bn), regional development and cohesion (EUR 44bn), external action and global partnerships (EUR 15.5bn) and research and innovation (EUR 14bn). Furthermore, as part of the implementation of the Pact on Migration and Asylum, additional funding will be made available to the Member States, including EUR 1.2bn in 2027, to strengthen migration and integration. The annual EU budget for 2027 is currently based on a European Commission proposal and must be formally adopted by the European Parliament and the European Council before the end of 2026. It is also the last budget under the current Multiannual Financial Framework (2021-2027), before the next financial framework comes into force in 2028.

**Mecklenburg-Western Pomerania presents annual accounts for the 2025 financial year**

Mecklenburg-Western Pomerania (ticker: MECVOR) has presented its annual accounts for the 2025 financial year. As with the federal government and other Laender, the sub-sovereign is facing a strained budgetary situation, meaning that a balanced budget could only be achieved by drawing EUR 27m from the equalisation reserve. On the revenue side, tax receipts were EUR 206m (-3%) below the original forecast, which was attributable to high refunds relating to trade tax for coastal waters, in particular. This resulted in a total revenue shortfall of EUR -374m, although this is intended to be offset over the next two years via equalisation payments. At the end of the year, the "MV-Schutzfonds" protection fund was also wound up. The remaining volume of around EUR 17m was used to repay outstanding COVID-19-related debts. On the expenditure side, the investment ratio was increased to around 16%. Investment rose to EUR 1.8bn and was therefore EUR +83m (+5%) above the original budget. The focus was on investment in infrastructure, transport and the health sector. However, savings were achieved in personnel expenses and interest spending, which were EUR 71m (-3%) and EUR 10m (-6%) below budget respectively. Despite a global reduction in expenditure of EUR -129m, the savings were insufficient and reserves consequently had to be drawn upon to balance the budget. Dr Heiko Geue, Minister of Finance and Digitalisation, emphasised that the increase in investment spending should be viewed positively despite the difficult budgetary situation, although there nonetheless remains a need for further consolidation measures at the same time.

**KfW Municipal Panel: outlook for municipalities remains pessimistic**

The increasingly strained financial situation of public budgets is gradually having an impact at municipal level too, as illustrated by the (provisional) figures for 2025 published by the Federal Statistical Office in April (cf. [weekly publication dated 15 April](#)). According to these figures, the core and extra budgets of the municipalities and municipal associations (excluding city states) posted a total financing deficit of EUR -31.9bn last year, which therefore not only exceeded the previous record level set last year (2024: EUR -24.8bn), but also represented the highest figure since German reunification in 1990. The deteriorating financial situation is also dampening the mood in German municipal treasuries – at least according to the initial findings of the annual KfW Municipal Panel, in which a total of 2,904 municipalities with more than 2,000 inhabitants were surveyed in Q1/2026 on aspects of their financial situation, investment activity and financing (response rate: 37%). According to the findings, around 44% of municipalities rate their current financial position as “poor”, representing an increase of +8 percentage points compared with the previous year. By contrast, the proportion of municipalities that rated their current position as “very good” or “good” at the time of the survey fell from 23% in 2022 (the last year without an aggregate budget deficit) to just 12% in 2025. A look to the future also suggests that sentiment is unlikely to improve: for the current financial year, four out of five municipalities anticipate that their finances will develop “rather unfavourably” or “very unfavourably”, whilst 91% of municipalities expect their financial situation to worsen over the next five years. However, there remains a small glimmer of hope as around one in five municipalities expect that financial support from the special fund for infrastructure and climate neutrality will already give their investments more added value in 2026.

**Finnvera looks back on the first three months of the financial year**

The Finnish export finance provider Finnvera (ticker: FINNVE) has provided an insight into its financial results for the first three months of the current financial year. These figures suggest a thoroughly successful start: as can be seen from the quarterly report, the export finance provider achieved a Group result of EUR 78m in the first quarter of 2026, representing a year-on-year increase of +55% compared with the same period last year. This notable increase is driven in particular by the reversals of loss provisions amounting to around EUR 16m and a marked rise of EUR 68m in net fee and commission income during the reporting period (Q1/2025: EUR 38m). By contrast, net interest income was EUR 30m and therefore remained on a par with the previous year’s level, whilst realised credit losses increased to EUR 41m (Q1/2025: EUR 16m). Operating expenses, including other operating expenses and depreciation and amortisation, rose only slightly compared with the previous year, from EUR 16m to EUR 17m, which had a correspondingly positive effect on the cost-to-income ratio, which is so important for banks. This fell by -5.6 percentage points compared with Q1/2025 to 16.7%. Between January and March, Finnvera granted domestic loans and guarantees totalling EUR 0.2bn (-22% Y/Y), as well as export credit guarantees, export guarantees and special guarantees amounting to EUR 5.7bn (+110% Y/Y). Furthermore, export credits totalling EUR 5.0bn were granted during the period under review, representing an increase of +115% year on year compared with the first quarter of 2025. The significant growth in the export business is primarily attributable to the further improvement in the business outlook for the cruise shipping industry. Total assets rose slightly by +4% to EUR 16.1bn during the reporting period, whilst the equity ratio increased only marginally to 10.4% as at the end of March.

### Primary market

Having seen a plethora of issues in the previous week, momentum in the SSA primary market was sustained during the trading week under review, albeit at a slightly reduced pace. Nevertheless, in this edition we can report on five EUR-denominated benchmarks with an aggregate value of EUR 3bn. It was notable that four of the five issuers were active in the ten-year maturity segment, which emerged as the “sweet spot” during the trading week under review on account of the shifts in the yield curve. But to start with, let’s go in chronological order: shortly after publishing our last edition, the Free Hanseatic City of Bremen (ticker: BREMEN) kicked things off by raising EUR 500m (10y) through the issuance of its second EUR benchmark this year, in line with guidance at ms +24bp (order book: EUR 580m). The Council of Europe Development Bank (ticker: COE) also took the opportunity to meet its capital requirements on the day before the ECB meeting, raising EUR 1bn (10y). By the end of the marketing phase, the order book had reached EUR 1.4bn, enabling the bond to be placed 1bp narrower than the guidance of ms +24bp area. Furthermore, the Spanish region of Galicia (ticker: JUNGAL) provided a new deal in the ESG segment on the same day, although it opted for a seven-year maturity for its [sustainability bond](#) issue. This involved EUR 500m being issued at SPGB +10bp (guidance: SPGB +15bp area, order book: EUR 1.4bn), which corresponded to approximately ms +32bp at the time of placement. Following a three-day break in issues, the Comunidad Autónoma de Canarias (ticker: CANARY) kicked things off again with a bang: after a long absence, it not only returned to the SSA primary market with a EUR benchmark, but also issued a [sustainability bond](#) under its recently established framework for the first time. A total of EUR 500m was placed with a ten-year maturity at SPGB +15bp, which corresponded to approximately ms +51bp at the time of issue. Thanks to an order book totalling EUR 2bn, the spread actually narrowed by 5bp compared with the guidance for this deal as well. The Investitions- und Strukturbank Rheinland-Pfalz (ticker: ISBRLP) also caused a stir when it opted for a ten-year bond and made its debut in the benchmark segment by raising EUR 500m at ms +29bp (guidance: ms +30bp area, order book: EUR 700m). Looking ahead to next week, we would also like to take this opportunity to highlight the sixth and final EU auction in H1/2026 (cf. [funding plan](#)). Furthermore, we expect the EU to publish its funding plan for H2/2026 by the end of June and anticipate refinancing requirements of EUR 80bn in the second half of the year. Following the new mandates, we look forward to the following transactions appearing on our screens in the near future: Investitionsbank des Landes Brandenburg (ticker: ILBB) is planning to issue a sub-benchmark bond with a volume of EUR 250m (WNG) and a three-year maturity. In addition, there was an update regarding the planned issue of a [Block-chain digital bond](#) by the federal state of Saxony-Anhalt (ticker: SACHAN), which we had already highlighted in our [weekly publication dated 03 June](#). This is now likely to come to market in the week commencing 29 June.

Issuer	Country	Timing	ISIN	Maturity	Size	Spread	Rating	ESG
CANARY	ES	16.06.	ES0000093502	9.8y	0.50bn	ms +51bp	- / - / A+	X
ISBRLP	DE	16.06.	DE000A460KN8	10.0y	0.50bn	ms +29bp	AAA / - / -	-
JUNGAL	ES	10.06.	ES0001352659	6.8y	0.50bn	ms +32bp	- / A3 / A+	X
COE	SNAT	10.06.	XS3410918612	10.0y	1.00bn	ms +23bp	AAA / Aaa / AAA	-
BREMEN	DE	10.06.	DE000A5ENMT7	10.0y	0.50bn	ms +24bp	AAA / - / -	-

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

# Covered Bonds

## Central bank eligibility of covered bonds

Authors: Lukas Kühne // Dr Norman Rudschuck, CIIA

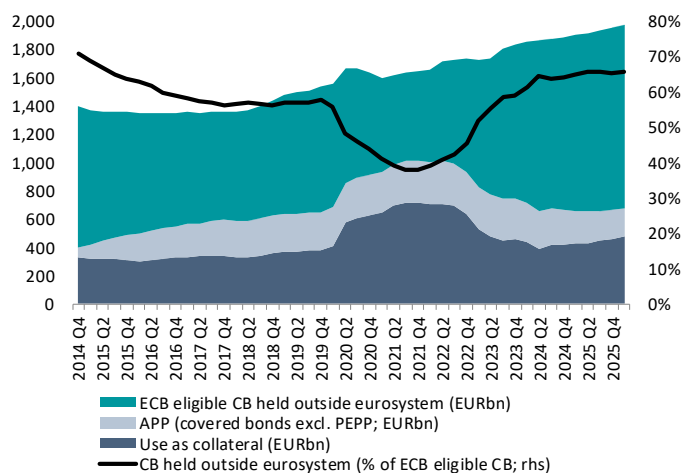
### **Covered bonds as eligible collateral**

The provision of collateral is an important criterion for credit institutions when borrowing from central banks. The central banks attach great importance to covered bonds. In the collateral framework of the European Central Bank (ECB), covered bonds are eligible assets and can be deposited as collateral with the ECB in the course of borrowing if the relevant criteria are met. The eligibility criteria vary internationally depending on the issue currency, rating, volume issued, coupon and jurisdiction of origin, among other factors (cf. [overview table](#)). The different approaches lead to specific haircuts when recognising collateral. They differ in terms of the minimum rating requirements for a covered bond, the recognition of different currencies and the requirements with regard to the minimum volume of outstanding covered bonds of the respective issuers. Before we outline the requirements for central bank eligibility of covered bonds in the overview table, we would first like to focus on the development of covered bonds used as collateral at the ECB and also briefly look at the impact of the end of the ECB purchase programmes on the covered bond market.

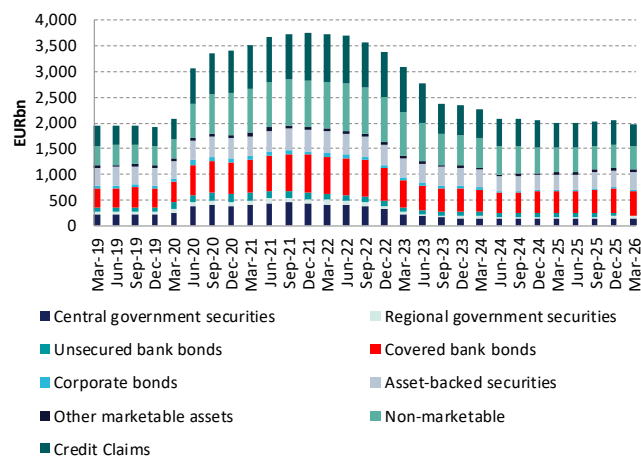
### **ECB: covered bonds as eligible collateral**

In fact, the eligibility criteria for collateral vary significantly in some cases on an international basis depending on the issue currency, rating, volume issued, coupon and jurisdiction of origin, among other factors. The different approaches lead to specific haircuts when recognising collateral. In addition, specific transparency requirements apply for covered bonds in particular. Covered bonds have become increasingly significant within the Eurosystem in recent years, driven by a growing demand for eligible collateral. This was partly due to the fact that retained covered bonds in the Eurozone (own use) can also generally be used as collateral in the Eurosystem (with additional haircuts in accordance with [Directive \(EU\) 2016/65](#)). In principle, central bank eligibility applies to legally regulated, EUR-denominated investment grade covered bonds from the EEA. This specification will be expanded to include the currencies USD, GBP and JPY on the basis of the ECB's Temporary Guidelines. In addition, covered bonds from G10 jurisdictions can be submitted as collateral as a softening of the EEA restriction. In practice, this expansion only includes covered bonds from Canada and the UK. The ECB provides information on its website with regard to a list of eligible collateral. In the [download area](#), you can access the entire database as well as the changes compared to the previous working day. Moreover, you can enquire on a [query basis](#) as to whether a security is recognised as collateral. Furthermore, aggregated data is provided that enables us to identify trends in the covered bond market.

### ECB: Influence on the covered bond market



### ECB: "Use of Collateral"



Source: ECB, NORD/LB Floor Research

#### Use of covered bonds as eligible collateral at the ECB is increasing

Based on the ECB's aggregated data, we can say that the use of covered bonds ("use of collateral") as eligible collateral has risen in recent quarters. We put this down to the increased use of retained covered bonds, among other aspects. The volume of covered bonds used in transactions with the ECB stood at around EUR 478bn at the end of the first quarter of 2026 (+12% Y/Y). However, as reinvestments under the ECB's purchase programmes came to an end and its balance sheet gradually contracted, the use of covered bonds as collateral declined significantly. At its peak, the volume stood at more than EUR 700bn in Q3/2021. In contrast to the trend in covered bonds used as collateral, the volume of covered bonds eligible for deposit has been rising at a virtually constant rate over the last few years. Currently, only around 24% of the covered bond volume deemed "eligible" by the ECB is also used as collateral in transactions with the ECB.

#### Market offsets fall in demand after the end of the ECB's purchase programmes

When the purchase programmes drew to a close, not only did the volume of covered bonds used as collateral return to normal, but also the volume of covered bonds held outside the Eurosystem. Where this figure was below 30% at the height of the purchase programmes, it is now the case that more than 65% of all covered bonds eligible for deposit are currently held by investors outside the Eurosystem. As the volume of covered bonds in the Eurosystem continues to shrink, the volume previously absorbed by European institutions must now be taken up by other investors. This is based on the assumption that all maturities in the EUR benchmark segment will be refinanced. In 2026, the total volume of maturities under the Covered Bond Purchase Programme (CBPP3) amounted to EUR 31.7bn, while the figure for 2027 will be EUR 37.7bn. In recent years, investors in the primary market have already shown that they are more than capable of offsetting the lower demand from the ECB. Accordingly, we are not expecting a bottleneck in 2027 either due to the lack of demand from the ECB. Key investors that must make up for some of the shortfall in demand include in particular bank treasuries, for whom the eligibility of covered bonds as central bank collateral is an important criterion. The overview tables on the following pages provide an insight into the requirements of individual central banks.

Central bank eligibility of covered bonds<sup>1</sup>

		<b>Eurozone</b>	<b>United Kingdom</b>		<b>Switzerland</b>	<b>United States</b>
		<a href="#">European Central Bank</a>	<a href="#">Bank of England</a>		<a href="#">Swiss National Bank</a>	<a href="#">Federal Reserve Bank</a>
<b>Eligibility criteria</b>		<a href="#">link</a>	<a href="#">link</a>		<a href="#">link</a>	<a href="#">link</a>
<b>Eligible securities</b>		<a href="#">link</a>	<a href="#">link</a>		<a href="#">link</a>	
<b>Category</b>		Category II	Level B	Level C	L2A, L2A CHF	German Jumbo Pfandbrief
<b>Rating requirements</b>		Min. BBB-/Baa3	AAA/Aaa equivalent	A-/A3 equivalent	Min. AA-/Aa3	AAA/Aaa
<b>Rating agencies</b>		ECAI (accepted for ECAF, at present: DBRS, Fitch, Moody's, S&P, Scope)	-	-	Fitch, Moody's, S&P	-
<b>Rating treatment</b>		First best <sup>2</sup>	-	-	Second best	lowest
<b>Min. volume (home currency)</b>			GBP 500m	-	CHF 100m	
<b>Min. volume equivalent (foreign currency)</b>		x	EUR 500m	-	EUR 1bn, DKK 7.5bn, GBP 750m, NOK 10bn, SEK 10bn, USD 1bn	German Jumbo Pfandbrief
<b>Own-use</b>		✓	x	✓	x	-
<b>Haircuts based on</b>	<b>TtM</b>	✓	✓	✓	x	✓
	<b>Coupon</b>	✓	x	x	x	✓
	<b>Currency</b>	✓	✓	✓	x	✓
	<b>...</b>	Own-use	-	-	-	-
<b>Currencies</b>	<b>EUR</b>	✓	✓	✓	✓	✓
	<b>USD</b>	✓	x	✓	✓	✓
	<b>GBP</b>	✓	✓	✓	✓	✓
	<b>JPY</b>	✓	x	x	x	✓
	<b>CHF</b>	x	x	x	✓	✓
	<b>SEK</b>	x	x	x	✓	✓
	<b>NOK</b>	x	x	x	✓	x
	<b>DKK</b>	x	x	x	✓	✓
	<b>CAD</b>	x	x	x	x	✓
	<b>AUD</b>	x	x	x	x	✓
	<b>NZD</b>	x	x	x	x	x
	<b>PLN</b>	x	x	x	x	x
<b>Country of issuance</b>	<b>EU</b>	✓	-	✓	✓ (non CHF-Bonds)	-
	<b>EEA</b>	✓	-	✓	✓ (non CHF-Bonds)	-
	<b>G10</b>	✓	-	x	x	-
	<b>others</b>	-	UK	US, UK	UK (non CHF-Bonds), CH; CHF bonds: no limitations	DE

<sup>1</sup> The table serves to compare the requirements for eligible collateral and therefore does not address possible special/individual cases. To determine the central bank eligibility of securities, a case-by-case assessment is therefore essential and cannot be carried out solely on the basis of this table.; <sup>2</sup> After expiry of the 18-month period, the second-best rating will be decisive from 21 August 2026

Central bank eligibility of covered bonds<sup>1</sup> (continued)

		Sweden	Norway	Denmark	Poland
		<a href="#">Sveriges Riksbank</a>	<a href="#">Norges Bank</a>	<a href="#">Danmarks Nationalbank</a>	<a href="#">Narodowy Bank Polski</a>
<b>Eligibility criteria</b>		<a href="#">link</a>	<a href="#">link</a>	<a href="#">link</a>	<a href="#">link</a>
<b>Eligible securities</b>		<a href="#">link</a>	<a href="#">link</a>	<a href="#">link</a>	<a href="#">link</a>
<b>Category</b>		Liquidity class 2	Category 2,3 & 4	Category 2 & 3	Mortgage Bonds
<b>Rating requirements</b>		Min. AA-/Aa3	Min. BBB-/Baa3	-	Min. BBB-/Baa3
<b>Rating agencies</b>		Fitch, Moody's, S&P	Fitch, Moody's, S&P, Scope, NCR	-	Fitch, Moody's, S&P
<b>Rating treatment</b>		≥ two ratings: min. AA-/Aa3	Second best	-	-
<b>Min. volume (home currency)</b>		SEK 100m	NOK 300m	Category 2: EUR 1bn (or equivalent in DKK)	PLN 10m
<b>Min. volume equivalent (foreign currency)</b>		SEK 100m	EUR 100m	Category 3: -	-
<b>Own-use</b>		✗	✓	-	-
<b>Haircuts based on</b>	<b>TtM</b>	✓	✓	✓	✓
	<b>Coupon</b>	✓	✓	✗	✓
	<b>Currency</b>	✓	✓	✓	✗
	<b>...</b>	Theoretical and/or old price	-	Theoretical price	-
<b>Currencies</b>	<b>EUR</b>	✓	✓	✓	✓
	<b>USD</b>	✓	✓	✗	✗
	<b>GBP</b>	✓	✓	✗	✗
	<b>JPY</b>	✓	✓	✗	✗
	<b>CHF</b>	✗	✓	✗	✗
	<b>SEK</b>	✓	✓	✗	✗
	<b>NOK</b>	✓	✓	✗	✗
	<b>DKK</b>	✓	✓	✓	✗
	<b>CAD</b>	✗	✓	✗	✗
	<b>AUD</b>	✗	✓	✗	✗
	<b>NZD</b>	✗	✓	✗	✗
	<b>PLN</b>	✗	✗	✗	✓
	<b>Country of issuance</b>	<b>EU</b>	-	✓	-
<b>EEA</b>		-	✓	-	-
<b>G10</b>		✓	-	-	-
<b>others</b>		AT, AU, CH, DK, ES, FI, GR, IE, NO, NZ, PT, US	AU, CA, CH, GG, JE, KY, NZ, UK, US	DK	PL

<sup>1</sup> The table serves to compare the requirements for eligible collateral and therefore does not address possible special/individual cases. To determine the central bank eligibility of securities, a case-by-case assessment is therefore essential and cannot be carried out solely on the basis of this table.; <sup>2</sup> After expiry of the 18-month period, the second-best rating will be decisive from 21 August 2026

Central bank eligibility of covered bonds<sup>1</sup> (continued)

		Canada <a href="#">Bank of Canada</a>	Australia <a href="#">Reserve Bank of Australia</a>	New Zealand <a href="#">Reserve Bank of New Zealand</a>
<b>Eligibility criteria</b>		<a href="#">link</a>	<a href="#">link</a>	<a href="#">link</a>
<b>Eligible securities</b>		<a href="#">link</a>	<a href="#">link</a>	<a href="#">link</a>
<b>Category</b>		Covered Bonds	ADI Bonds	Covered Bonds
<b>Rating requirements</b>		AAA equivalent	Minimum average rating: BBB-/Baa3	AAA/Aaa
<b>Rating agencies</b>		-	Fitch, Moody's, S&P	Acceptable rating agencies
<b>Rating treatment</b>		-	At least two ratings	at least two ratings; more than two ratings: at least two AAA/Aaa and no rating lower than AA+/Aa1
<b>Min. volume (home currency)</b>		CAD 1m	-	-
<b>Min. volume equivalent (foreign currency)</b>		-	-	-
<b>Own-use</b>		x	x	x
<b>Haircuts based on</b>	TtM	✓	✓	✓
	Coupon	x	x	x
	Currency	✓	x	x
	...	-	Average credit rating	-
<b>Currencies</b>	EUR	x	x	x
	USD	✓	x	x
	GBP	x	x	x
	JPY	x	x	x
	CHF	x	x	x
	SEK	x	x	x
	NOK	x	x	x
	DKK	x	x	x
	CAD	✓	x	x
	AUD	x	✓	x
	NZD	x	x	✓
	PLN	x	x	x
<b>Country of issuance</b>	EU	x	x	x
	EEA	x	x	x
	G10	x	x	x
	others	CA	AU	NZ

<sup>1</sup> The table serves to compare the requirements for eligible collateral and therefore does not address possible special/individual cases. To determine the central bank eligibility of securities, a case-by-case assessment is therefore essential and cannot be carried out solely on the basis of this table.; <sup>2</sup> After expiry of the 18-month period, the second-best rating will be decisive from 21 August 2026

## SSA/Public Issuers

# Classification of Supranationals and Agencies under Solvency II

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

### **Few relevant changes to Solvency II regulations for the SSA segment**

As usual, we regularly evaluate the relevant frameworks for investors regarding any changes and update our assessment of the regulatory treatment of issuers from the SSA segment. Although the Solvency II specifications have remained largely unchanged since the last publication in June 2025, we have noted an adjustment that is relevant to investors in terms of the treatment of regional governments and local authorities: as a result of the [amendment of the European Commission Implementing Regulation \(EU\) 2015/2011](#) at the end of April 2026, exposures to French local and regional authorities with special status (collectivité à statut particulier) and public-law municipal associations with their own tax-raising powers (établissement public de coopération intercommunale à fiscalité propre, EPCI) and to Latvian major cities and district municipalities (valstspilsētas pašvaldība und novada pašvaldība) will in future be treated as exposures to the respective central government. In this issue, we have also expanded the group of issuers on which we provide our assessment to include additional names. In addition, we have supplemented the section on the main aspects of the changes resulting from the Solvency II review to be applied from January 2027 with specific provisions from the [Delegated Regulation \(EU\) 2026/269](#) published in February.

### **Solvency capital requirements are based on various risk modules**

On 10 October 2014, the European Commission published the [Delegated Regulation 2015/35 implementing Solvency II](#). To calculate the solvency capital requirements for insurance companies, the regulation calls for a variety of risk modules to be taken into account, with the market risk module in particular harbouring significant implications. This can be broken down into the sub-modules of risk relating to interest rates, equity, property, exchange rates and market concentrations as well as spread risk. Especially when determining spread risk, there are exemptions, as with risk weights in the regulation governing banks, which substantially enhance the relative attractiveness of selected issuer groups.

### **Art. 180(2) gives preferred status to selected issuers**

The criteria for the preferred regulatory treatment of exposure arise, in particular, from Art. 180(2) Solvency II. Exposures that meet certain criteria (see below) may be allocated a stress factor of 0%, whereby no capital backing is required for these items to support spread risk. Furthermore, according to Art. 199(8), a probability of default of 0% can be assumed for exposures to counterparties referred to in points (a) to (d) of Art. 180(2), while, in addition, according to Art. 187(3), a risk factor of 0% is assigned for market risk concentration.

**Since 2019, Art. 180(2) has also included RGLA-guaranteed bonds and loans**

With [Delegated Regulation \(EU\) 2019/981](#), Art. 180(2) is supplemented for the first time to include exposures in the form of bonds and loans that are guaranteed by RGLA (Regional Governments and Local Authorities). Exposure to RGLA has also now been defined. Fundamentally, guarantee recipients must be preferred in terms of the guarantees from RGLA and exposure to these. However, two restrictions must be taken into account: first, RGLA must be regarded as identical exposure to the respective central government ([\(EU\) 2015/2011](#); Art. 115(2) [CRR](#)), and, second, the guarantees must satisfy the conditions set out in Art. 215 of the Solvency II Directive. According to [\(EU\) 2019/981](#) Art. 180, RGLA that are not equated with a central government as per Art. 115 CRR are automatically considered to have a *stress*; risk factor in line with CQS 2. This also applies to bonds/issuers guaranteed by these RGLA. In this context, we are of the understanding that international regions of non-Member States, such as [Canadian provinces](#) or sub-sovereigns from [Down Under](#), do not benefit from preferred status.

**Criteria for preferred status within the scope of Solvency II****Art. 180(2): Specific exposures**

Exposures in the form of bonds and loans to the following shall be assigned a risk factor *stress*; of 0%:

- a) the European Central Bank;
- b) Member States' central government and central banks denominated and funded in the domestic currency of that central government and central bank;
- c) multilateral development banks referred to in Art. 117(2) CRR;
- d) international organisations referred to in Art. 118 CRR.

Exposures in the form of bonds and loans that are fully, unconditionally and irrevocably guaranteed by one of the counterparties mentioned in points (a) to (d), where the guarantee meets the requirements set out in Article 215, shall also be assigned a *stress*; risk factor of 0%. For the purposes of sub-paragraph 1b, risk exposures in the form of bonds and loans that are fully, unconditionally and irrevocably guaranteed by one of the RGLA mentioned in Art. 1 of the European Commission Implementing Regulation [\(EU\) 2015/2011](#) are to be regarded as risk exposures against the central government, provided that the guarantee satisfies the requirements laid down in Art. 215.

**Art. 215: Guarantees**

In the calculation of the Basic Solvency Capital Requirement, guarantees shall only be recognised where explicitly referred to in this Chapter, and where in addition to the qualitative criteria in Articles 209 and 210, all of the following criteria are met:

- a) the credit protection provided by the guarantee is direct;
- b) the extent of the credit protection is clearly defined and incontrovertible;
- c) the guarantee does not contain any clause, the fulfilment of which is outside the direct control of the lender, that
  - i) would allow the protection provider to cancel the protection unilaterally;
  - ii) would increase the effective cost of protection as a result of a deterioration in the credit quality of the protected exposure;
  - iii) could prevent the protection provider from being obliged to pay out in a timely manner in the event that the original obligor fails to make any payments due;
  - iv) could allow the maturity of the credit protection to be reduced by the protection provider;
- d) on the default, insolvency or bankruptcy or other credit event of the counterparty, the insurance or reinsurance undertaking has the right to pursue, in a timely manner, the guarantor for any monies due under the claim in respect of which the protection is provided, and the payment by the guarantor shall not be subject to the insurance or reinsurance undertaking first having to pursue the obligor;
- e) the guarantee is an explicitly documented obligation assumed by the guarantor;
- f) the guarantee fully covers all types of regular payments the obligor is expected to make in respect of the claim.

**Equal treatment of central government exposure and exposure with an explicit state guarantee**

From a regulatory perspective, the effect of Art. 180(2) is therefore an equal treatment of central government exposure and exposures guaranteed by central governments or RGLA. Since then, promotional banks guaranteed by RGLA (e.g. promotional banks of German Laender) have benefited from preferred treatment under Solvency II. However, unlike the rules under CRD IV for banks, in conjunction with Art. 215, this Article defines minimum requirements for guarantees, which we understand are met by most explicit guarantees.

**Preferential treatment of supranationals even under Solvency II**

With the reference to Art. 117 and 118 CRR in Art. 180 of the Solvency II Regulation, supranationals listed in the CRR also stand to benefit from preferential treatment under Solvency II. Our table on the following pages summarises for which supranational issuers a stress factor of 0% can be applied. In our opinion, linking Solvency II with the CRR is to be welcomed in order to promote uniformity and develop a shared regulatory understanding. For unlisted supranationals, however, this linking produces a significant disadvantage: In addition to Europe's EUROFIMA, Latin America's CAF is not mentioned in either Art. 117(2) or Art. 118 CRR. For banks and insurance companies subject to CRR and Solvency II respectively, debt instruments from both of these supranationals are therefore investments that have to be backed by capital. We have already observed from the over-subscription rates that demand for EUROFIMA and CAF paper is lower than for those supranationals listed in the respective CRR sections.

**German Laender benefit from 0% stress factor**

At the start of July 2015, the European Insurance and Occupational Pensions Authority (EIOPA) published a [Final Report based on a consultation paper from the end of November 2014](#). It defines a list of RGLA that meet the requirements of Art. 85 and can therefore be assigned a stress factor of 0%. The most important issuers to benefit from a 0% stress factor here are the German Laender. As with the risk weight under Basel III, under Solvency II, the Spanish regions are, for example, given preferential treatment as per the EIOPA list, while the absence of Italian regions, for instance, implies that no stress; risk factor of 0% can be assigned here. The table on the next page summarises the regional and local authorities that can be assigned a stress factor of 0%. In Directive [\(EU\) 2015/2011](#) of 11 November 2015, this Final Report was approved with the result that the proposed classification became effective.

**Regional governments and local authorities (0% stress factor possible)**

Country	Regional governments and local authorities
Austria	Bundeslaender & municipalities
Belgium	Municipalities (communautés/gemeenschappen), regions (régions/gewesten), towns (communes, gemeenten) & provinces (provinces, provincies)
Denmark	Regions (regioner) & municipalities (kommuner)
Finland	Municipalities (kunta/kommun), towns (kaupunki/stad), province of Åland
France	Regions (régions), municipalities (communes), “Départements”, local and regional authorities with special status (collectivité à statut particulier) and public-law municipal associations with their own tax-raising powers (établissement public de coopération intercommunale à fiscalité propre)
Germany	Laender, municipalities & municipal associations
Latvia	Major cities and district municipalities (valstspilsētas pašvaldība und novada pašvaldība)
Liechtenstein	Municipalities
Lithuania	Municipalities (savivaldybės)
Luxembourg	Municipalities (communes)
The Netherlands	Provinces (provincies), municipalities (gemeenten) & water associations (waterschappen)
Poland	Districts (powiat), municipalities (gmina), regions (województwo), district and municipal associations (związki międzygminne i związki powiatów) & the capital Warsaw
Portugal	Autonomous regions of the Azores & Madeira
Spain	Autonomous regions (comunidades autónomas) & local government (corporación local)
Sweden	Municipalities (kommuner), regional administrations (landsting) & regions (regioner)

Source: (EU) [2015/2011](#), NORD/LB Floor Research

**More issuers from our coverage with 0% stress factor**

The amendment to Art. 180 and associated inclusion of RGLA (or RGLA guarantees) has seen some agencies covered in this Issuer Guide benefit from preferred status. These issuers can now be assigned a *stress*<sub>i</sub> risk factor of 0%. From our point of view, this dramatically increases the appeal of bonds issued by these issuers. In the following table, we have listed the agencies that we believe are now preferred under Solvency II.

**List of the relevant agencies in our coverage**

Institution	ISO	Owner(s)/members	Remit
NRW.BANK	DE	100% Land North Rhine-Westphalia	Promotional bank
Landeskreditbank Baden-Württemberg – Förderbank (L-Bank)	DE	100% Land Baden-Wuerttemberg	Promotional bank
LfA Förderbank Bayern	DE	100% Free State of Bavaria	Promotional bank
Investitionsbank Schleswig-Holstein (IB.SH)	DE	100% Land Schleswig-Holstein	Promotional bank
Investitionsbank Berlin (IBB)	DE	100% Land Berlin	Promotional bank
Investitionsbank des Landes Brandenburg	DE	50% Land Brandenburg, 50% NRW.BANK	Promotional bank
Sächsische Aufbaubank (SAB)	DE	100% Free State of Saxony	Promotional bank
Investitions- und Strukturbank Rheinland-Pfalz (ISB)	DE	100% Land Rhineland-Palatinate	Promotional bank
Hamburgische Investitions- und Förderbank (IFBHH)	DE	100% Free and Hanseatic City of Hamburg	Promotional bank
Agence France Locale (AFL)	FR	100% Agence France Locale – Société Territoriale (AFL – ST)	Municipal bank
Kommuninvest i Sverige	SE	100% Kommuninvest Cooperative Society (KCS)	Municipal bank
Municipality Finance (MuniFin)	FI	53% municipalities, municipal associations and companies in municipality ownership; 31% municipal pension institutions; 16% Finland	Municipal bank
KommuneKredit	DK	100% all Danish municipalities and regions	Municipal bank

Source: Issuers, NORD/LB Floor Research

**Our assessment of the Solvency II classification of SSA**

Issuer	ISO/type	Classification	Rationale
Bundeslaender	AT	Preferred status	Criteria under Art. 85 fulfilled and confirmed by (EU) 2015/2011
Laender	DE	Preferred status	Criteria under Art. 85 fulfilled and confirmed by (EU) 2015/2011
Municipalities	DE	Preferred status	Criteria under Art. 85 fulfilled and confirmed by (EU) 2015/2011
Regions	BE	Preferred status	Criteria under Art. 85 fulfilled and confirmed by (EU) 2015/2011
Regions	ES	Preferred status	Criteria under Art. 85 fulfilled and confirmed by (EU) 2015/2011
Regions	FR	Preferred status	Criteria under Art. 85 fulfilled and confirmed by (EU) 2015/2011
Autonomous Regions	PT	Preferred status	Criteria under Art. 85 fulfilled and confirmed by (EU) 2015/2011
Provinces & territories	CA	No preferred status	No RGLA of a Member State
EFSF	SNAT	Preferred status	Mentioned explicitly in Art. 180(2)(d)
ESM	SNAT	Preferred status	Mentioned explicitly in Art. 180(2)(d)
EU	SNAT	Preferred status	Mentioned explicitly in Art. 180(2)(d)
EIB	SNAT	Preferred status	Mentioned explicitly in Art. 180(2)(c)
EBRD	SNAT	Preferred status	Mentioned explicitly in Art. 180(2)(c)
NIB	SNAT	Preferred status	Mentioned explicitly in Art. 180(2)(c)
CEB	SNAT	Preferred status	Mentioned explicitly in Art. 180(2)(c)
EUROFIMA	SNAT	No preferred status	Not mentioned explicitly in Art. 180(2)(c) or (d)
IBRD	SNAT	Preferred status	Mentioned explicitly in Art. 180(2)(c)
IDA	SNAT	Preferred status	Mentioned explicitly in Art. 180(2)(c)
IFC	SNAT	Preferred status	Mentioned explicitly in Art. 180(2)(c)
IADB	SNAT	Preferred status	Mentioned explicitly in Art. 180(2)(c)
CAF	SNAT	No preferred status	Not mentioned explicitly in Art. 180(2)(c) or (d)
ADB	SNAT	Preferred status	Mentioned explicitly in Art. 180(2)(c)
AIIB	SNAT	Preferred status	Mentioned explicitly in Art. 180(2)(c)
IsDB	SNAT	Preferred status	Mentioned explicitly in Art. 180(2)(c)
AfDB	SNAT	Preferred status	Mentioned explicitly in Art. 180(2)(c)
KfW	DE	Preferred status	Explicit guarantee from a central government that meets all the criteria
Rentenbank	DE	Preferred status	Explicit guarantee from a central government that meets all the criteria
FMS-WM	DE	Preferred status <sup>1)</sup>	Clear classification not possible. However, as the guarantor (SoFFin) is a special fund under public law of a central government (Germany), we would assume preferred status.
EAA	DE	No preferred status	No explicit guarantee under Solvency II
NRW.BANK	DE	Preferred status	Explicit guarantee from a sub-sovereign (NRW) that itself has preferred status. Explicit guarantee fulfils all criteria.
L-Bank	DE	Preferred status	Explicit guarantee from a sub-sovereign (Baden-Wuerttemberg) that itself has preferred status. Explicit guarantee fulfils all criteria.
WIBank	DE	Preferred status	Explicit guarantee from a sub-sovereign (Hesse) that itself has preferred status. Explicit guarantee fulfils all criteria.
LfA	DE	Preferred status	Explicit guarantee from a sub-sovereign (Free State of Bavaria) that itself has preferred status. Explicit guarantee fulfils all criteria.
IB.SH	DE	Preferred status	Explicit guarantee from a sub-sovereign (Schleswig-Holstein) that itself has preferred status. Explicit guarantee fulfils all criteria.

1) No clear classification here, in our opinion. Consequently, the classification in this case represents our expectation.

NB: The listed issuers are merely a selection of the SSA segment that, in our view, may receive preferential treatment.

Source: NORD/LB Floor Research

**Our assessment of Solvency II classification of SSA (continued)**

Issuer	ISO	Classification	Rationale
BayernLabo	DE	Preferred status	Explicit guarantee from a sub-sovereign (Free State of Bavaria) that itself has preferred status. Explicit guarantee fulfils all criteria.
IBB	DE	Preferred status	Explicit guarantee from a sub-sovereign (Berlin) that itself has preferred status. Explicit guarantee fulfils all criteria.
ILB	DE	Preferred status	Explicit guarantee from a sub-sovereign (Brandenburg) that itself has preferred status. Explicit guarantee fulfils all criteria.
SAB	DE	Preferred status	Explicit guarantee from a sub-sovereign (Free State of Saxony) that itself has preferred status. Explicit guarantee fulfils all criteria.
ISB	DE	Preferred status	Explicit guarantee from a sub-sovereign (Rhineland-Palatinate) that itself has preferred status. Explicit guarantee fulfils all criteria.
IFBHH	DE	Preferred status	Explicit guarantee from a sub-sovereign (Free and Hanseatic State of Hamburg) that itself has preferred status. Explicit guarantee fulfils all criteria.
CADES	FR	No preferred status	No explicit guarantee under Solvency II
AFD	FR	No preferred status	No explicit guarantee under Solvency II
Unédic	FR	Preferred status	For bonds issued as part of a guaranteed EMTN programme: Explicit guarantee from a central government that meets all the criteria
CDC	FR	No preferred status	No explicit guarantee under Solvency II
Bpifrance	FR	Preferred status	For bonds issued as part of a guaranteed EMTN programme: Explicit guarantee from a central government (via EPIC Bpifrance) that meets all the criteria
SAGESS	FR	No preferred status	No explicit guarantee under Solvency II
AFL	FR	Preferred status	Explicit guarantee from French sub-sovereigns that themselves have preferred status. Explicit guarantee fulfils all criteria.
SFIL	FR	No preferred status	No explicit guarantee under Solvency II
SGP	FR	No preferred status	No explicit guarantee under Solvency II
3CIF	FR	Preferred status	For bonds issued as part of a guaranteed EMTN programme: Explicit guarantee from a central government that meets all the criteria
ALS	FR	No preferred status	No explicit guarantee under Solvency II
BNG	NL	No preferred status	No explicit guarantee under Solvency II
NWB	NL	No preferred status	No explicit guarantee under Solvency II
FMO	NL	No preferred status	No explicit guarantee under Solvency II
OeKB	AT	Preferred status	For bonds covered by the rules of the AFFG: Explicit guarantee from a central government that meets all the criteria
ÖBB infrastruc- ture	AT	Preferred status	For bonds issued as part of a guaranteed EMTN programme: Explicit guarantee from a central government that meets all the criteria
ASFiNAG	AT	Preferred status	For bonds issued as part of a guaranteed EMTN programme: Explicit guarantee from a central government that meets all the criteria
KBN	NO	No preferred status	No explicit guarantee under Solvency II
SEK	SE	No preferred status	No explicit guarantee under Solvency II
Kommuninvest	SE	Preferred status	Explicit guarantee from sub-sovereigns (members of KCS), that themselves have preferred status. Explicit guarantee fulfils all criteria.
Finnvera	FI	Preferred status	Explicit guarantee from a central government that meets all the criteria
MuniFin	FI	Preferred status	Explicit guarantee from sub-sovereigns that themselves have preferred status. Explicit guarantee fulfils all criteria.
KommuneKredit	DK	Preferred status	Explicit guarantee from sub-sovereigns that themselves have preferred status. Explicit guarantee fulfils all criteria.

NB: The listed issuers are merely a selection of the SSA segment that, in our view, may receive preferential treatment.

Source: NORD/LB Floor Research

**Our assessment of Solvency II classification of SSA (continued)**

Issuer	ISO	Classification	Rationale
ICO	ES	Preferred status	Explicit guarantee from a central government that meets all the criteria
FADE	ES	Preferred status	Explicit guarantee from a central government that meets all the criteria
ADIF-AV	ES	No preferred status	No explicit guarantee under Solvency II
CORES	ES	No preferred status	No explicit guarantee under Solvency II
CDP	IT	No preferred status	No explicit guarantee under Solvency II
REFER	PT	Preferred status	For bonds issued as part of a guaranteed EMTN programme: Explicit guarantee from a central government that meets all the criteria
BGK	PL	Preferred status	For bonds issued as part of a guaranteed EMTN programme: Explicit guarantee from a central government that meets all the criteria
MFB	HU	Preferred status	Explicit guarantee from a central government that meets all the criteria
MAEXIM	HU	Preferred status	Explicit guarantee from a central government that meets all the criteria
DCL	BE	Preferred status	Explicit guarantee from a central government that meets all the criteria
DBJ	JP	No preferred status	No explicit guarantee under Solvency II (non-guaranteed bonds) / guarantor not an EEA Member State (guaranteed bonds)
JBIC	JP	No preferred status	No explicit guarantee under Solvency II (non-guaranteed bonds) / guarantor not an EEA Member State (guaranteed bonds)
JFM	JP	No preferred status	No explicit guarantee under Solvency II (non-guaranteed bonds) / guarantor not an EEA Member State (guaranteed bonds)
KEXIM	KR	No preferred status	No explicit guarantee under Solvency II
IBK	KR	No preferred status	No explicit guarantee under Solvency II
KDB	KR	No preferred status	No explicit guarantee under Solvency II
CDB	CN	No preferred status	(Implicit) guarantee from a non-Member State
CEXIM	CN	No preferred status	(Implicit) guarantee from a non-Member State
NZLGFA	NZ	No preferred status	Guarantees from sub-sovereigns of a non-Member State
Auckland Council	NZ	No preferred status	No RGLA of a Member State
EDC	CA	No preferred status	Guarantee from a non-Member State
CPPIB Capital	CA	No preferred status	No explicit guarantee under Solvency II
CDP Financial	CA	No preferred status	No explicit guarantee under Solvency II
ONTFT	CA	No preferred status	No explicit guarantee under Solvency II
PSP Capital	CA	No preferred status	No explicit guarantee under Solvency II
OMERS	CA	No preferred status	No explicit guarantee under Solvency II

NB: The listed issuers are merely a selection of the SSA segment that, in our view, may receive preferential treatment.

Source: NORD/LB Floor Research

### **Solvency II review**

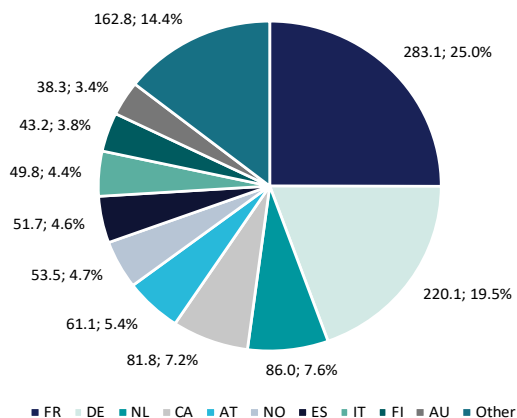
After the European Commission gave the green light for a review of the Solvency II Directive in February 2019 and tasked EIOPA with conducting a technical investigation in the form of stakeholder consultations and data collection, the trilogue agreement at the end of 2023 marked the end of the long-standing review process, at least at a political level. Following formal adoption by the European Council and the European Parliament, the revised Solvency II Directive [\[\(EU\) 2025/2\]](#) was finally published on 08 January 2025 in the Official Journal of the European Union and entered into force on the twentieth day after its publication. The Member States now have until 29 January 2027 to implement the provisions of the Directive in national law. The Solvency II review enshrined in the framework directive will result in adjustments being made to selected aspects affecting both the quantitative requirements and the qualitative principles as well as the scope of reporting. With the publication of the [Delegated Regulation \(EU\) 2026/269](#) on 18 February 2026, the extensive changes made to Solvency II by Directive (EU) 2025/2 will also be implemented in Delegated Regulation (EU) 2015/35 and, in some respects, supplemented or further clarified. Despite the extensive adjustments in some cases with regard to determining the capital requirements – such as changes to the extrapolation method used to determine the risk-free yield curve, to the calculation of the Volatility Adjustment (VA) to more effectively dampen short-term spread volatility and also to interest rate and equity risk – the basic system for determining spread risk remains unchanged. However, there are some relevant modifications to the spread risk for exposures to issuers from the SSA segment: Art. 180(2) is thus extended through the addition of two sub-paragraphs to the effect that in future the portion of an individual loan or an individual bond guaranteed by one of the MDBs or international organisations mentioned in Art. 180(2)(c) and (d) can be assigned a risk factor *stress<sub>i</sub>* of 0% when calculating the spread risk. This is subject to an appropriate guarantee in accordance with Art. 215 and that it must provide a first-loss guarantee amounting to at least 5% of the nominal value. The same shall, however, also apply to exposures in the form of a pool of bonds and loans.

### **Conclusion**

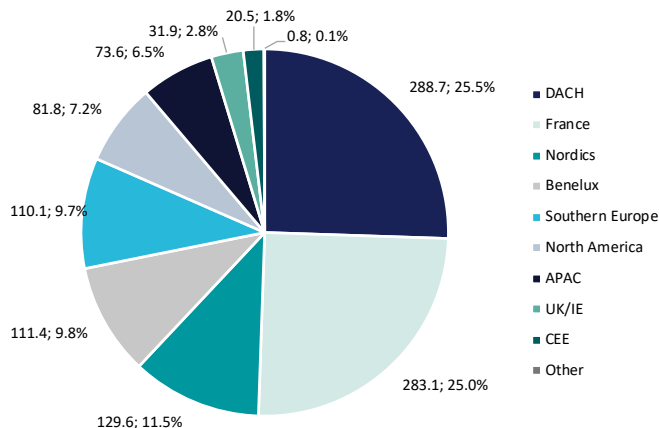
The Solvency II Directive highlights, in our opinion, the importance of the regulatory framework in the SSA segment, with the possibility of preferential regulatory treatment or regulatory equivalence of exposure with that of central governments leading to a significant increase in the relative attractiveness of sub-sovereign issuers. From our point of view, there are no significant spread implications for issuers with preferred status, but the relative attractiveness of SSAs without preferential treatment will be significantly reduced. In addition, preferred issuers also benefit from regulatory advantages in other relevant regulations such as the [ECB repo collateral rules](#), the [Liquidity Coverage Ratio \(LCR\)](#) and the [CRR](#). With the publication of the revised Solvency II Directive, the provisions of which will apply for the first time from the end of January 2027, extensive adjustments will be made affecting both the quantitative requirements and the qualitative principles as well as the scope of reporting. Despite the extensive changes, the issuers in the SSA segment we examine will continue to receive preferential treatment in terms of capital requirements and, in some cases, it will even be extended.

# Charts & Figures Covered Bonds

EUR benchmark volume by country (in EURbn)



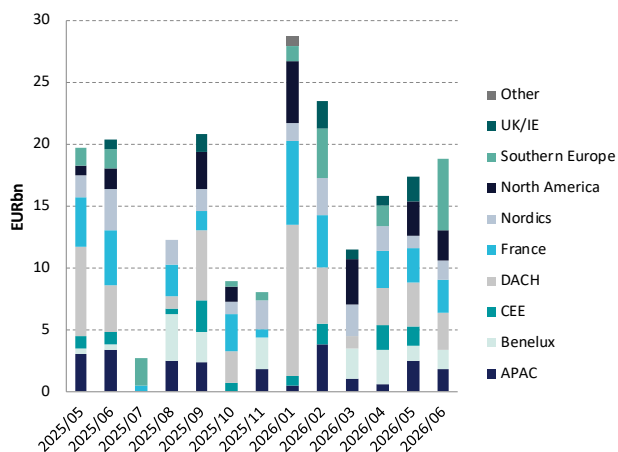
EUR benchmark volume by region (in EURbn)



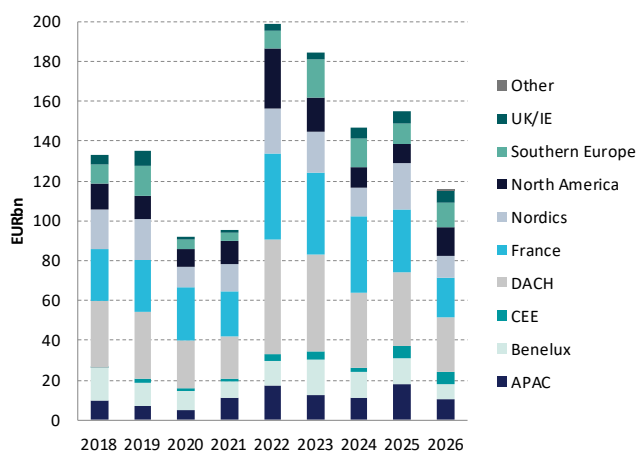
## Top 10 jurisdictions

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	283.1	277	41	0.97	9.0	4.2	1.86
2	DE	220.1	306	51	0.68	7.8	3.6	1.89
3	NL	86.0	84	5	0.96	10.2	5.2	1.70
4	CA	81.8	65	1	1.24	5.6	2.4	1.96
5	AT	61.1	101	5	0.60	8.1	3.5	1.72
6	NO	53.5	63	13	0.85	7.0	3.2	1.63
7	ES	51.7	47	4	1.00	9.5	3.2	2.33
8	IT	49.8	63	6	0.75	7.9	3.7	2.30
9	FI	43.2	53	5	0.80	6.5	2.9	2.10
10	AU	38.3	39	0	0.98	7.1	3.5	2.20

EUR benchmark issue volume by month

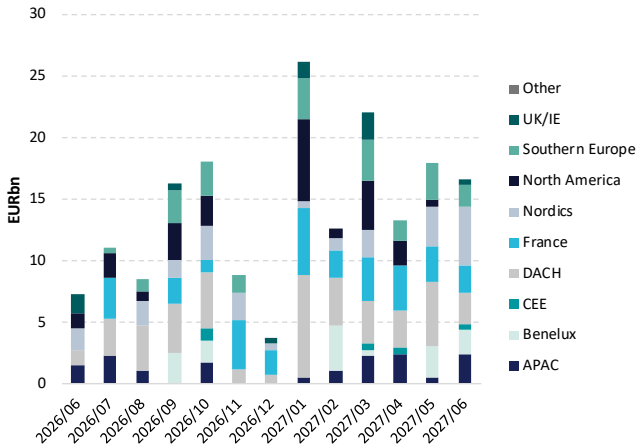


EUR benchmark issue volume by year

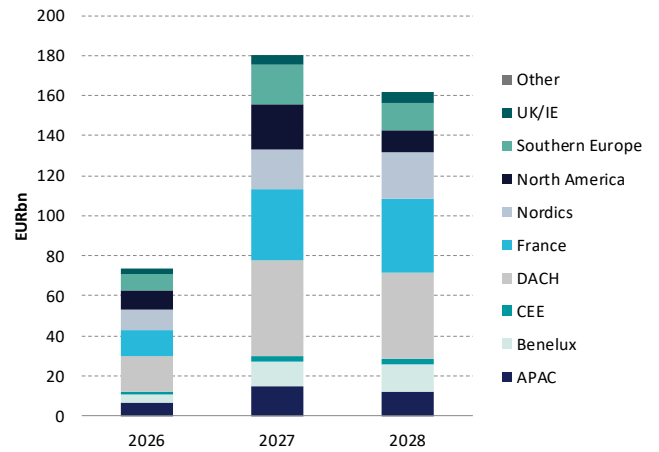


Source: Market data, Bloomberg, NORD/LB Floor Research

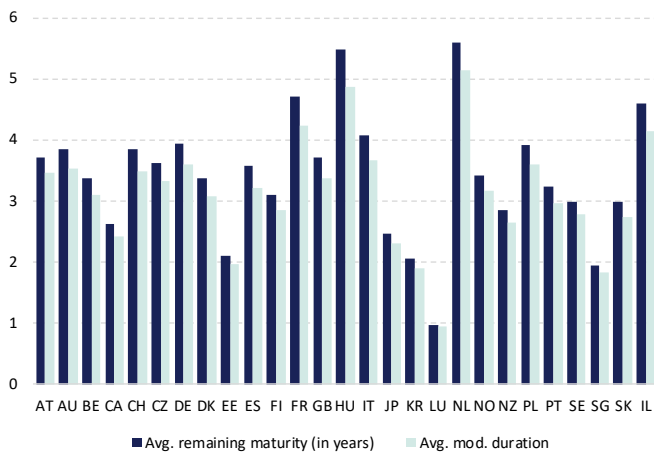
**EUR benchmark maturities by month**



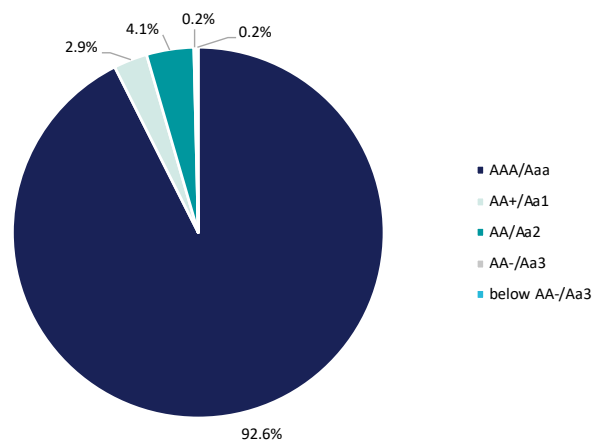
**EUR benchmark maturities by year**



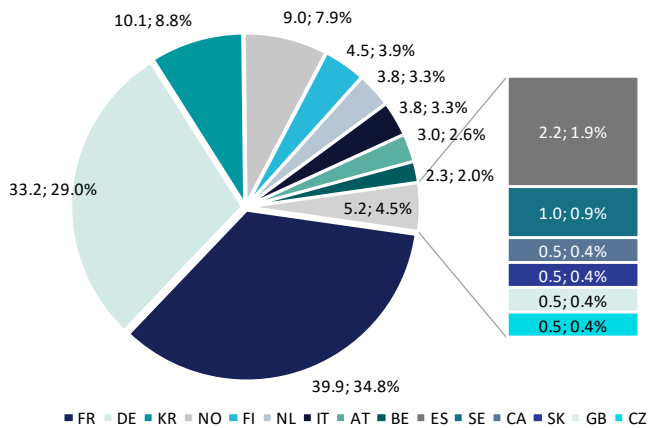
**Modified duration and time to maturity by country**



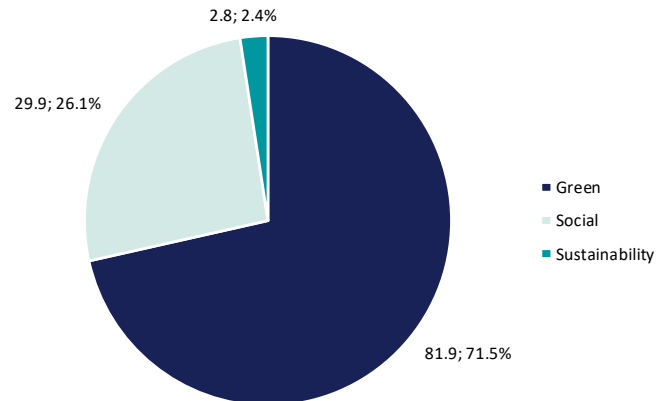
**Rating distribution (volume weighted)**



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

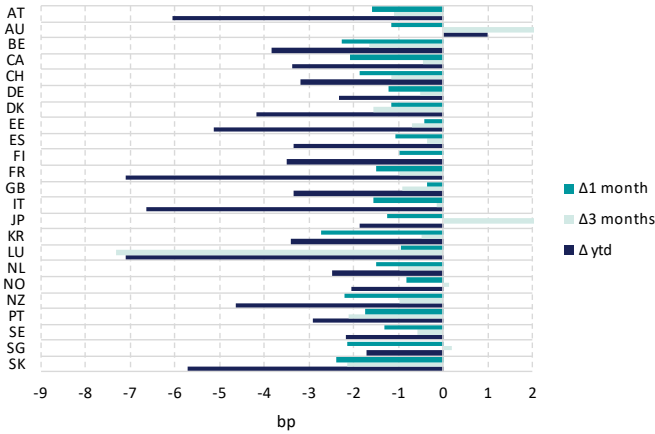


**EUR benchmark volume (ESG) by type (in EURbn)**

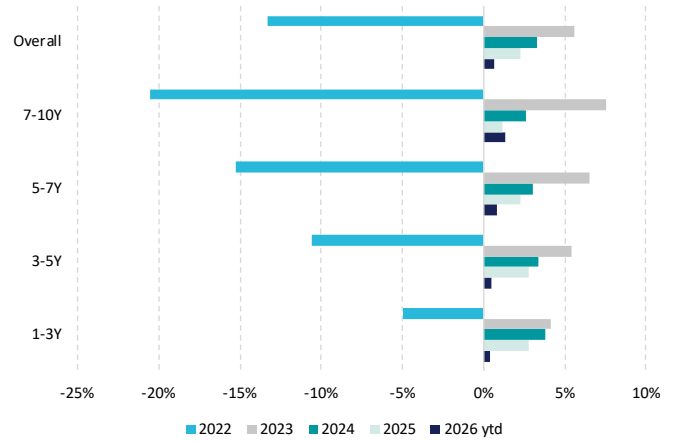


Source: Market data, Bloomberg, NORD/LB Floor Research

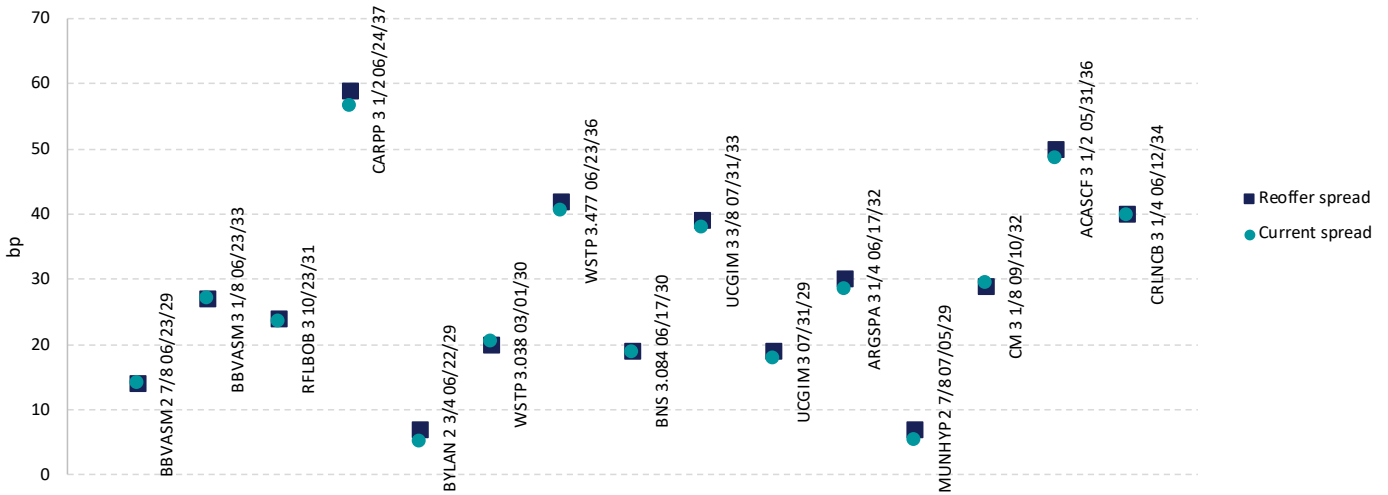
**Spread development by country**



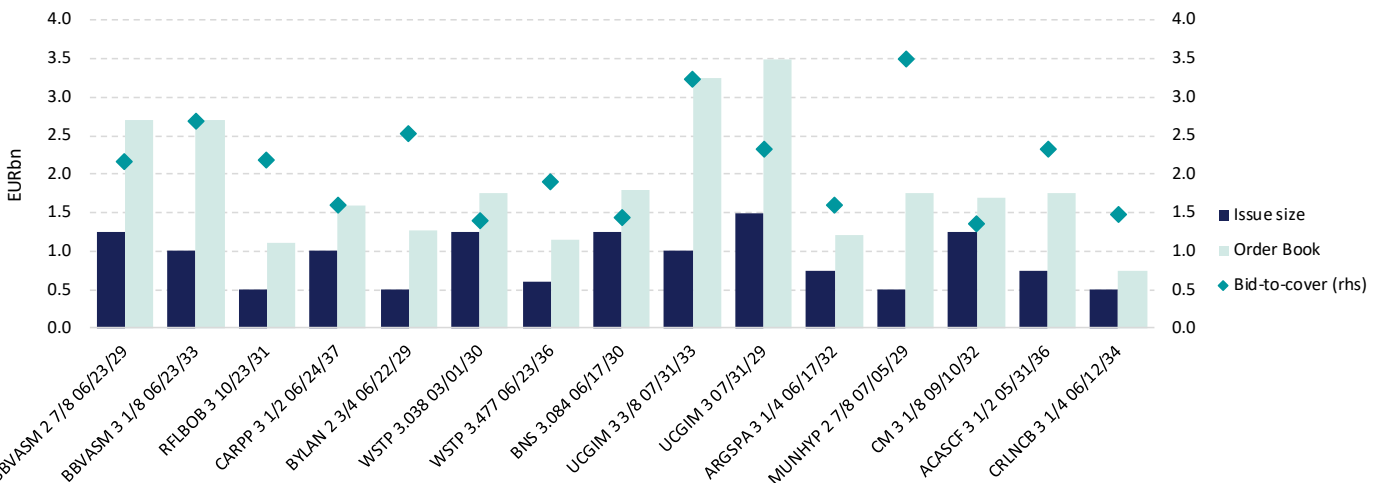
**Covered bond performance (Total return)**



**Spread development (last 15 issues)**

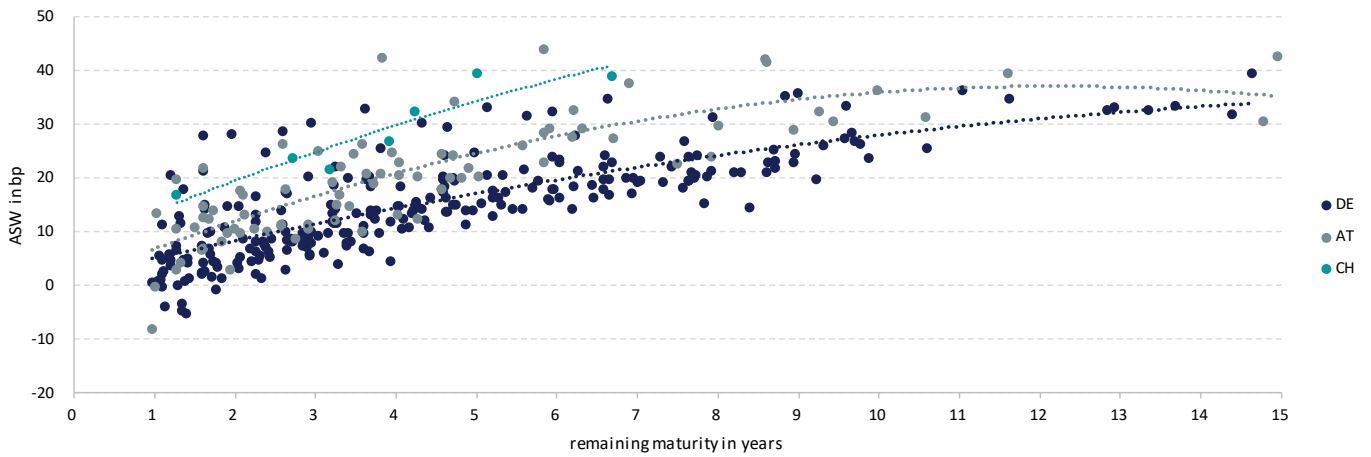


**Order books (last 15 issues)**

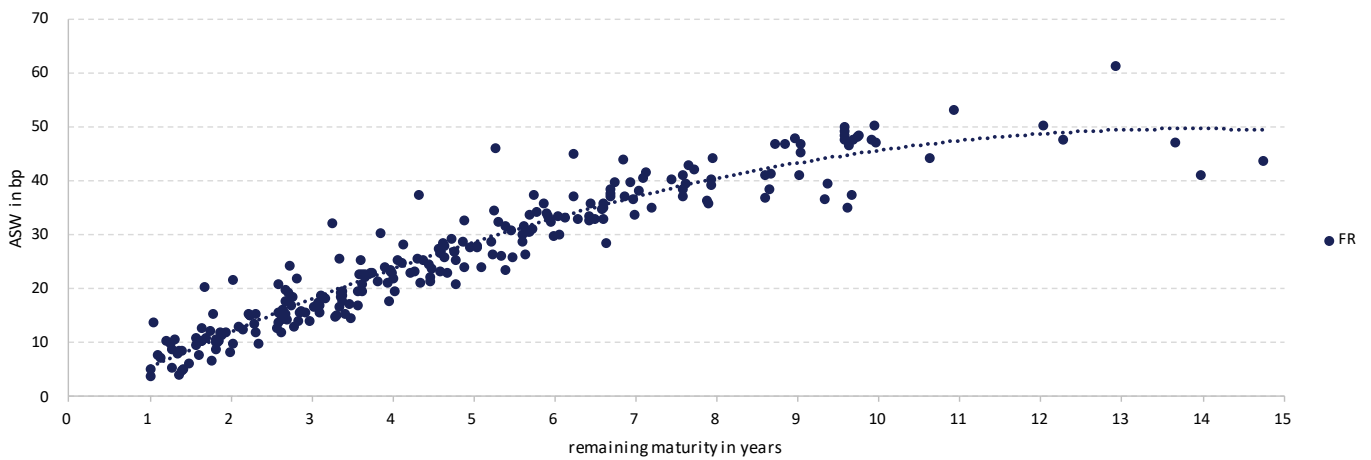


**Spread overview<sup>1</sup>**

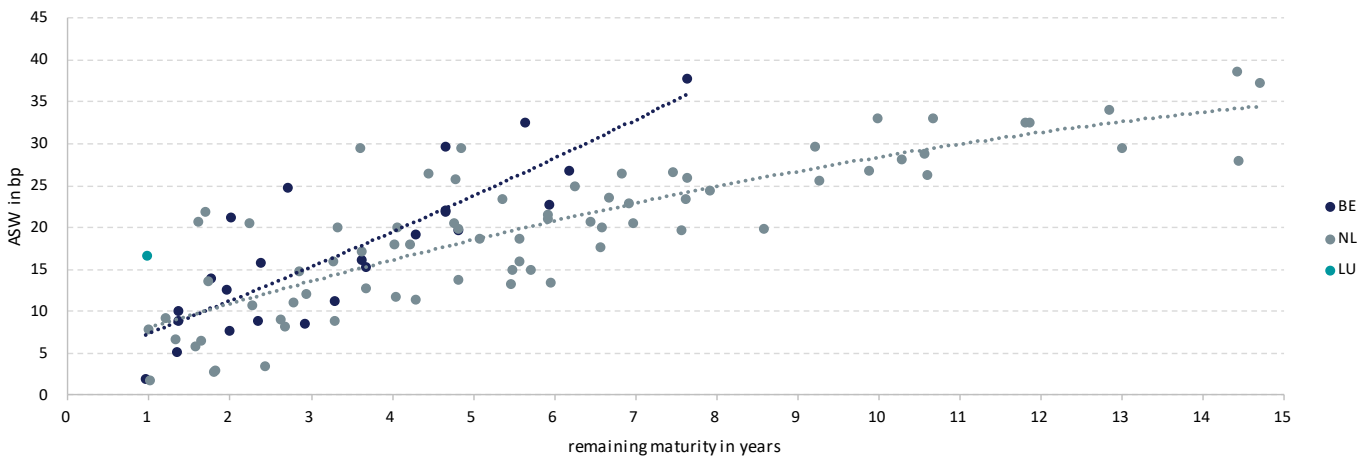
**DACH** 



**France** 

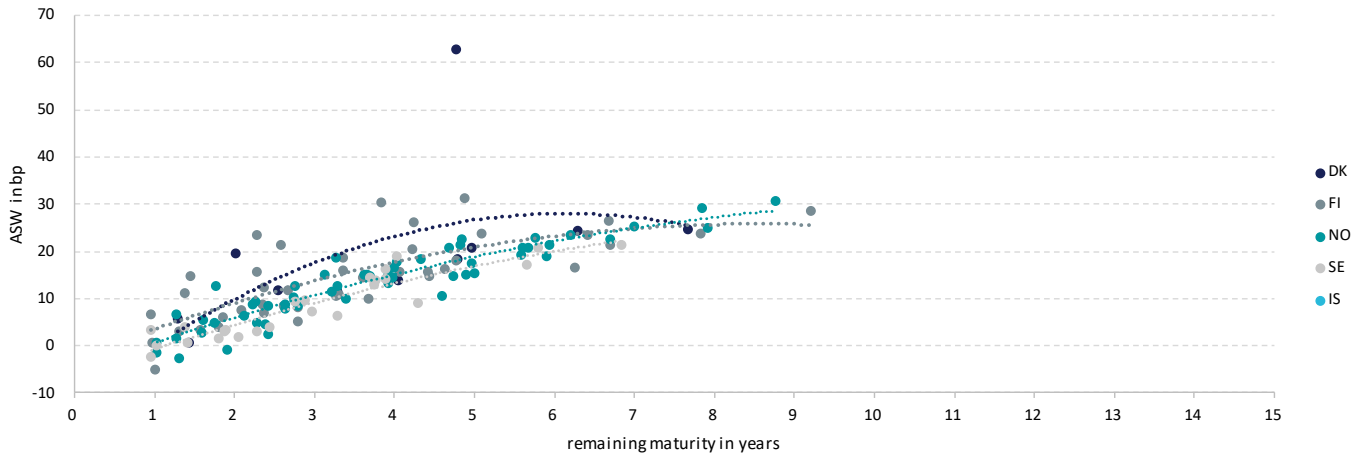


**Benelux** 

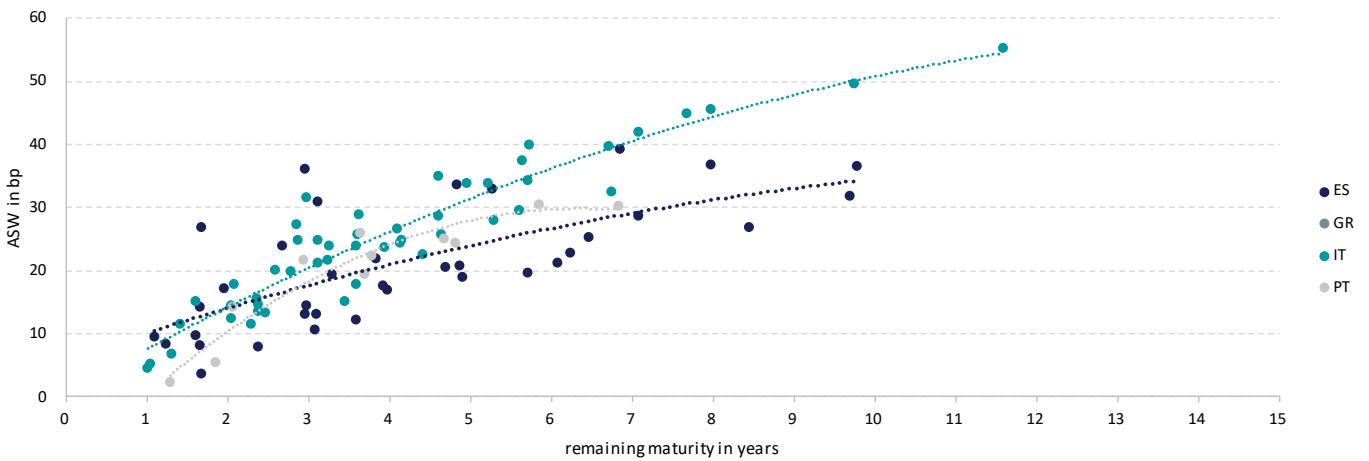


Source: Market data, Bloomberg, NORD/LB Floor Research <sup>1</sup>Time to maturity 1 ≤ y ≤ 15

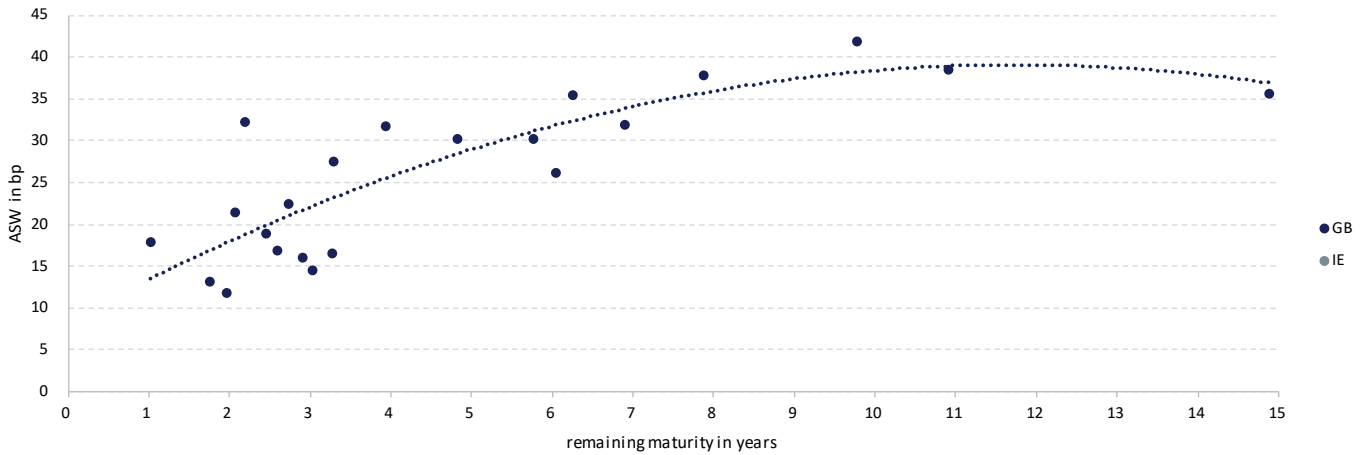
**Nordics** 🇩🇰 🇫🇮 🇳🇴 🇸🇪 🇮🇸



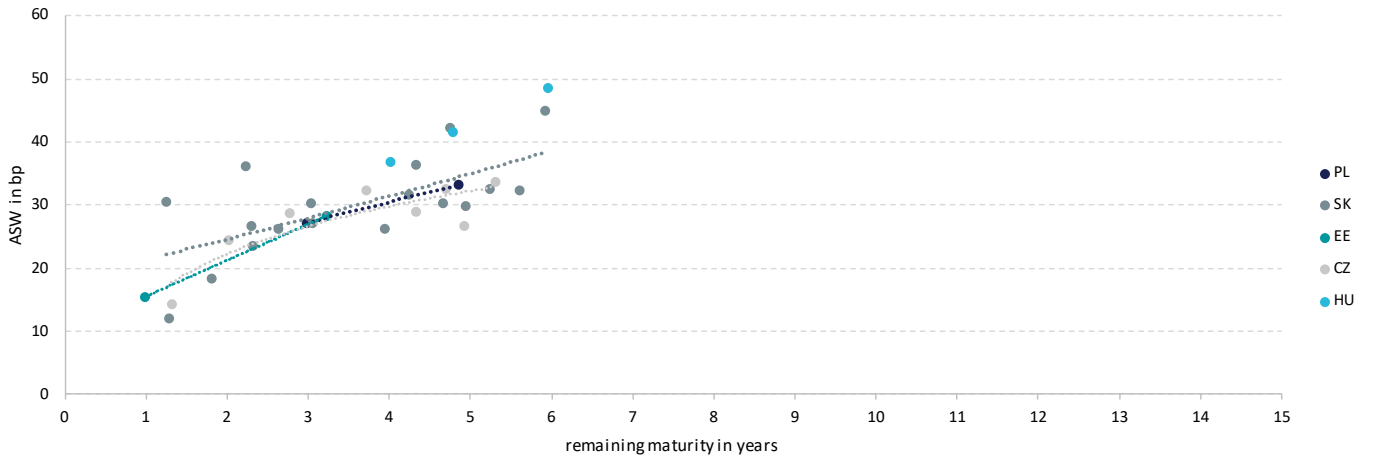
**Southern Europe** 🇪🇸 🇬🇷 🇮🇹 🇵🇹



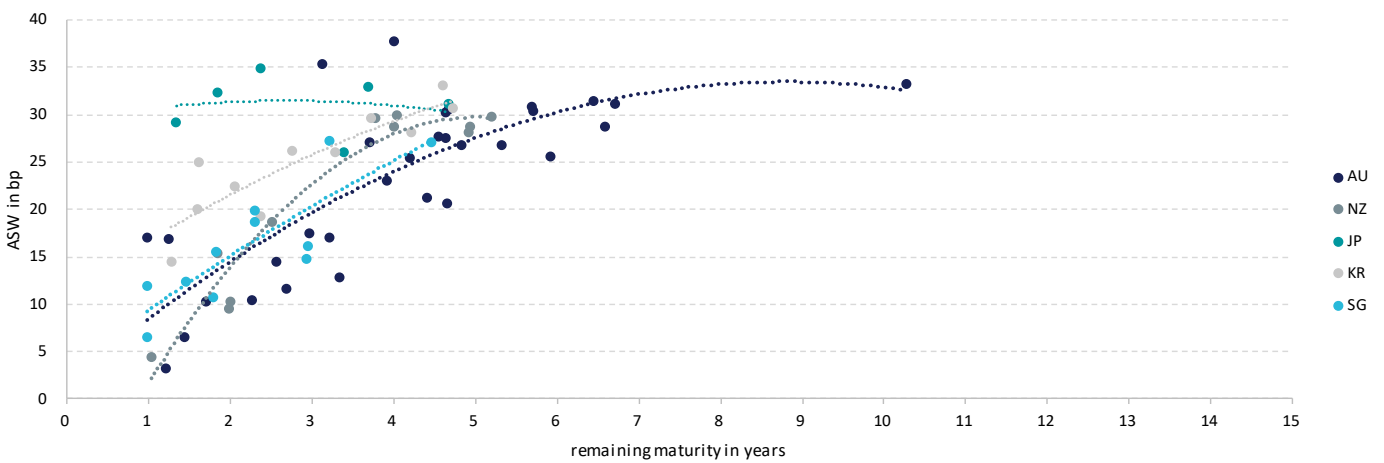
**UK/IE** 🇬🇧 🇮🇪



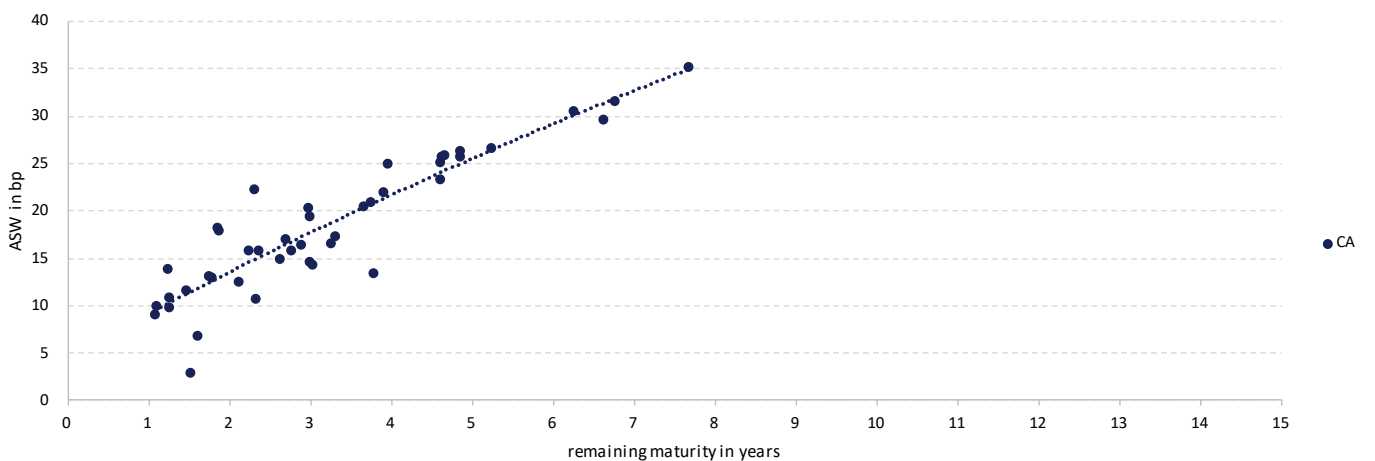
**CEE** 



**APAC** 



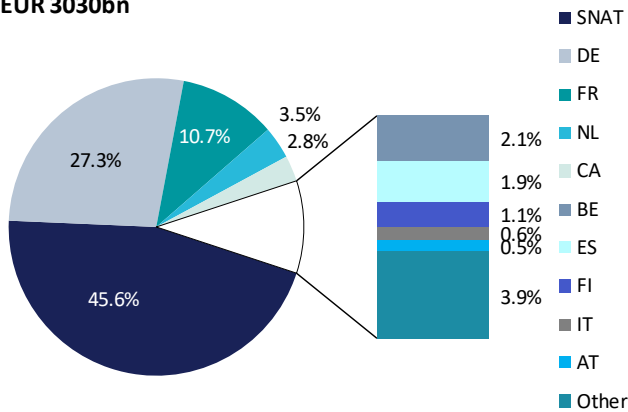
**North America** 



# Charts & Figures SSA/Public Issuers

## Outstanding volume (bmk)

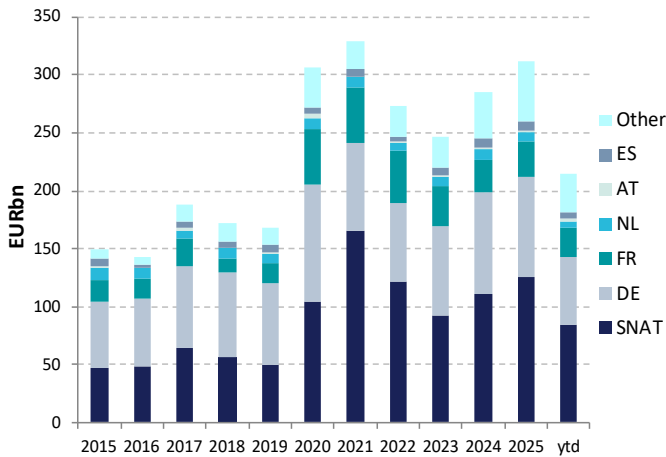
EUR 3030bn



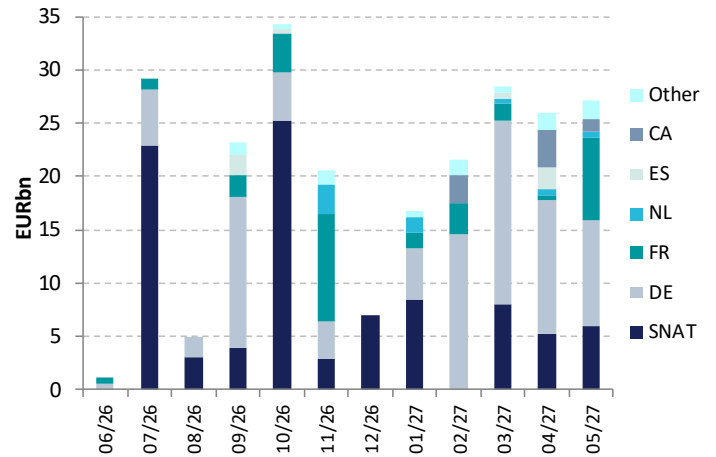
## Top 10 countries (bmk)

Country	Vol. (EURbn)	No. of bonds	ØVol. (EURbn)	Vol. weight. ØMod. Dur.
SNAT	1,383.2	176	7.9	7.8
DE	827.8	627	1.3	5.7
FR	322.8	212	1.5	5.1
NL	106.4	93	1.1	5.8
CA	85.2	71	1.2	6.2
BE	62.7	56	1.1	9.1
ES	56.2	82	0.7	4.8
FI	32.7	37	0.9	3.5
IT	18.9	25	0.8	4.2
AT	16.0	23	0.7	4.8

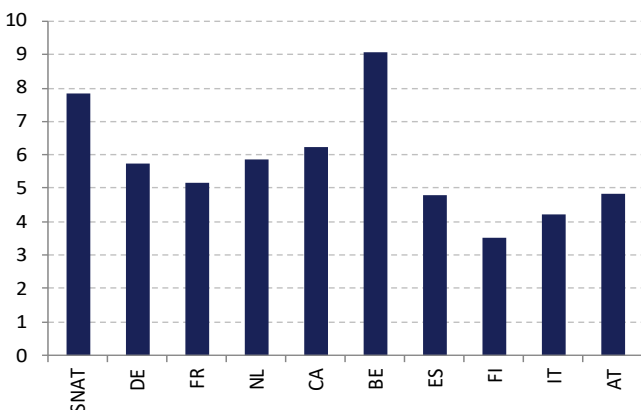
## Issue volume by year (bmk)



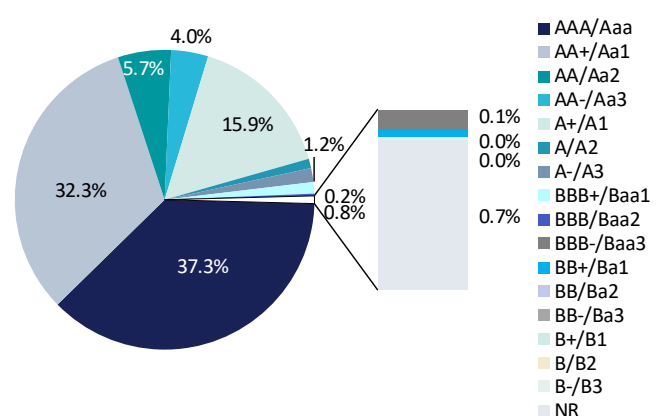
## Maturities next 12 months (bmk)



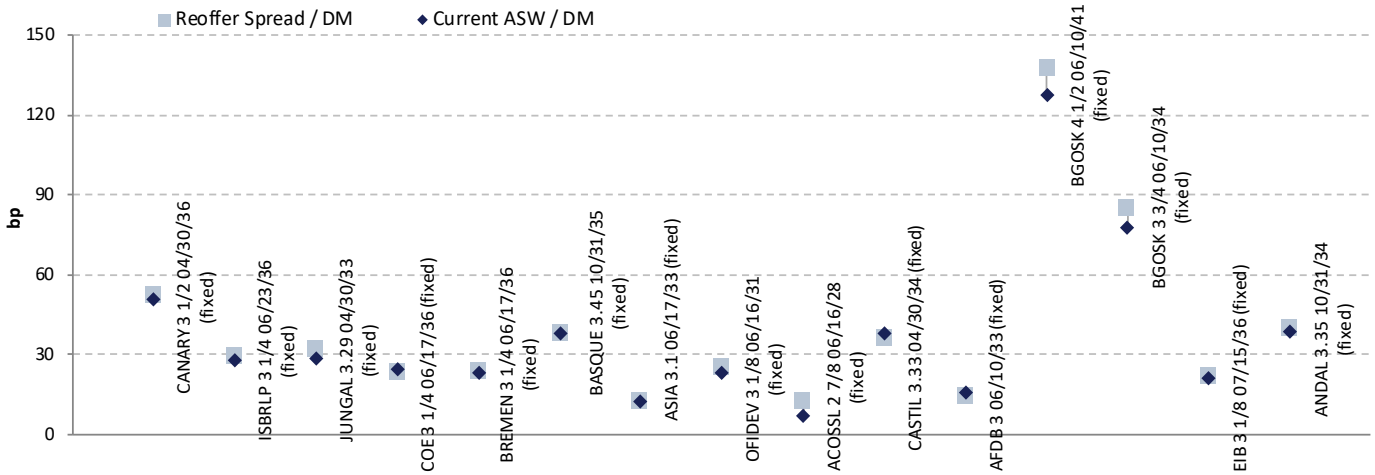
## Avg. mod. duration by country (vol. weighted)



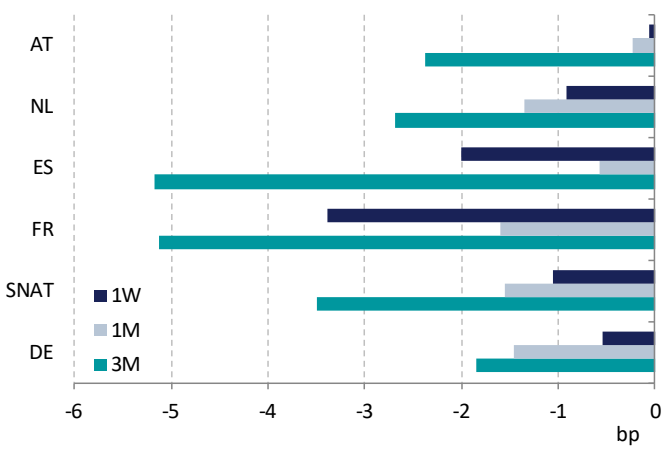
## Rating distribution (vol. weighted)



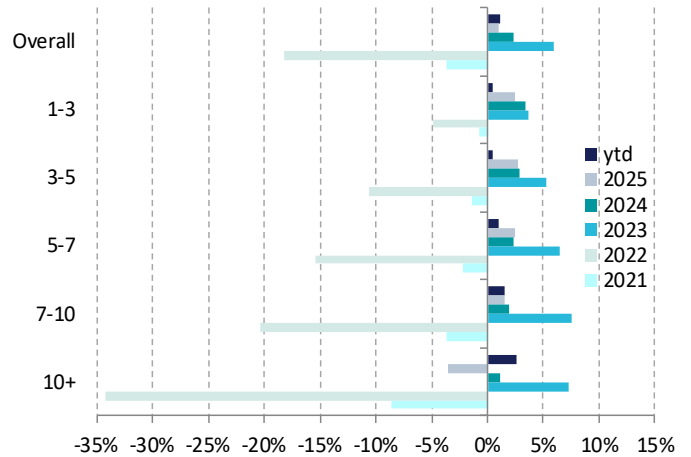
**Spread development (last 15 issues)**



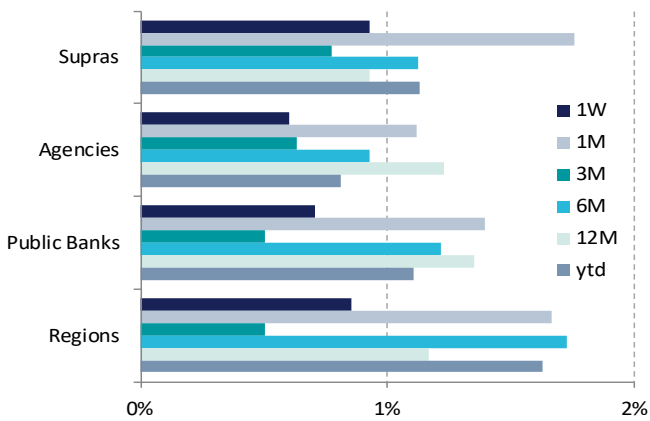
**Spread development by country**



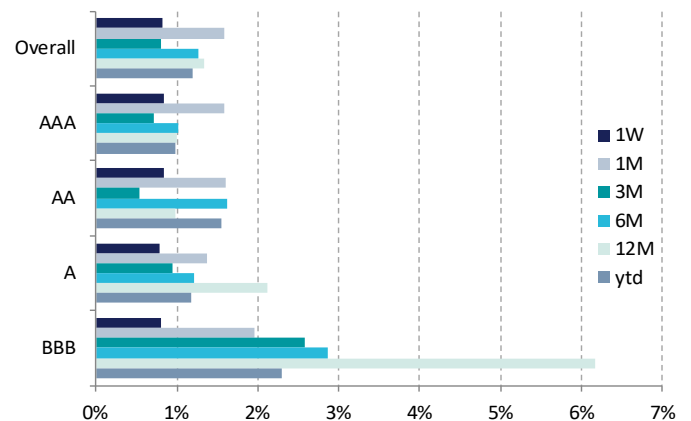
**Performance (total return)**



**Performance (total return) by segments**

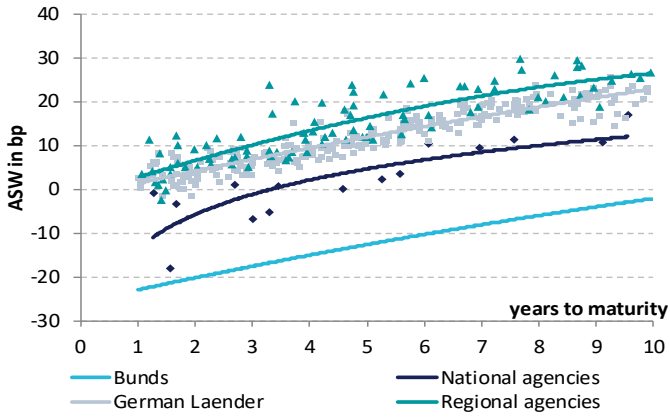


**Performance (total return) by rating**

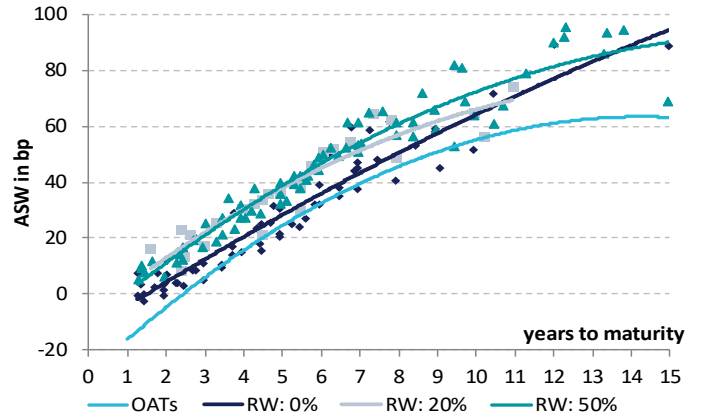


Source: Bloomberg, NORD/LB Floor Research

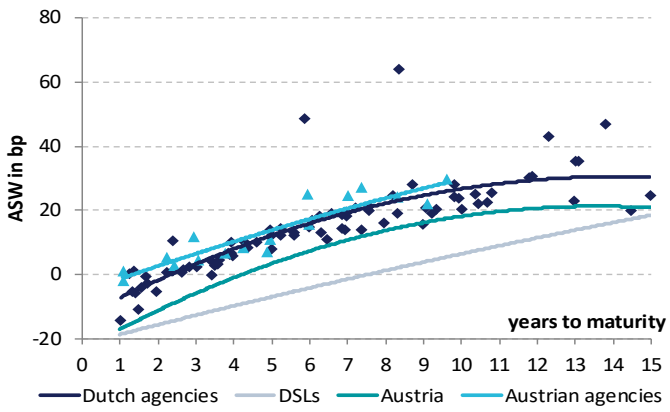
**Germany (by segments)**



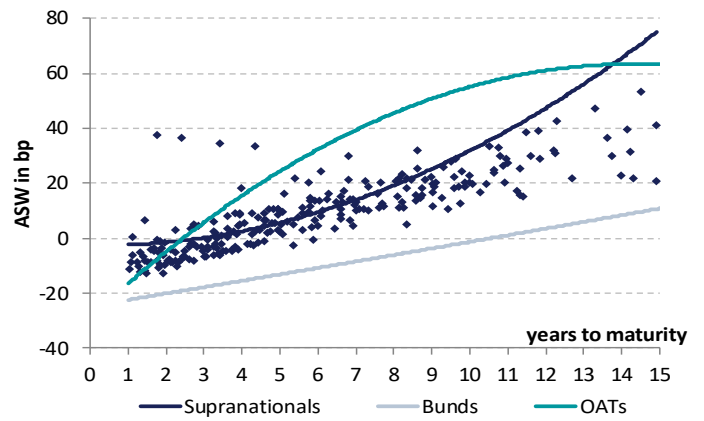
**France (by risk weight)**



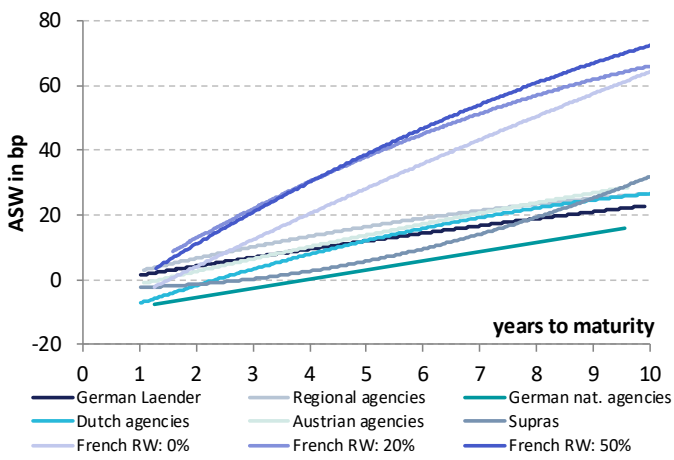
**Netherlands & Austria**



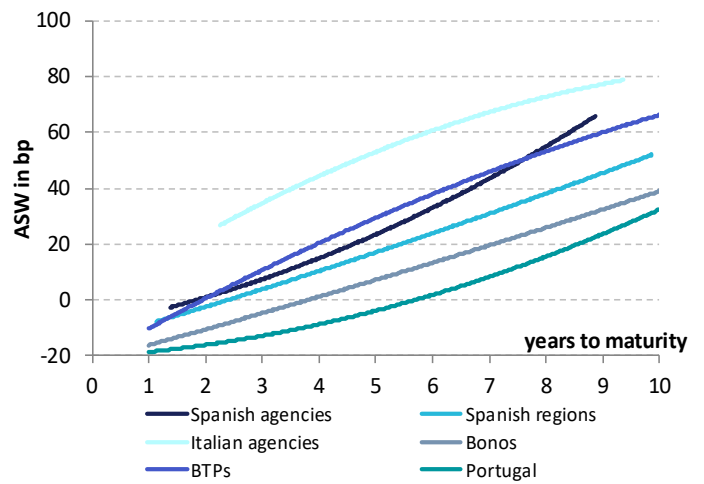
**Supranationals**



**Core**



**Periphery**



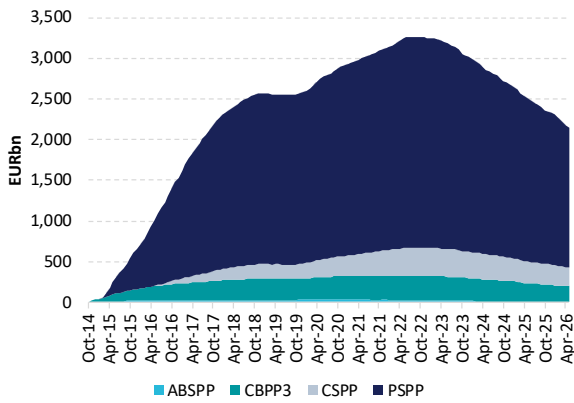
Source: Bloomberg, NORD/LB Floor Research

# Charts & Figures

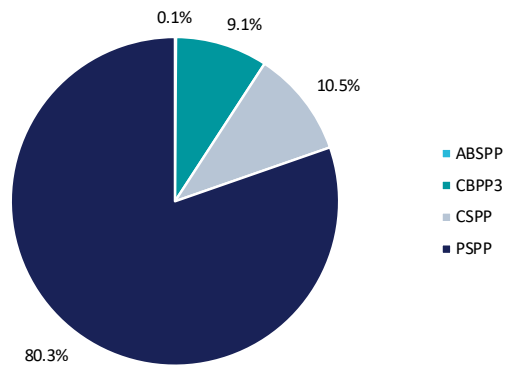
## ECB tracker

### Asset Purchase Programme (APP)

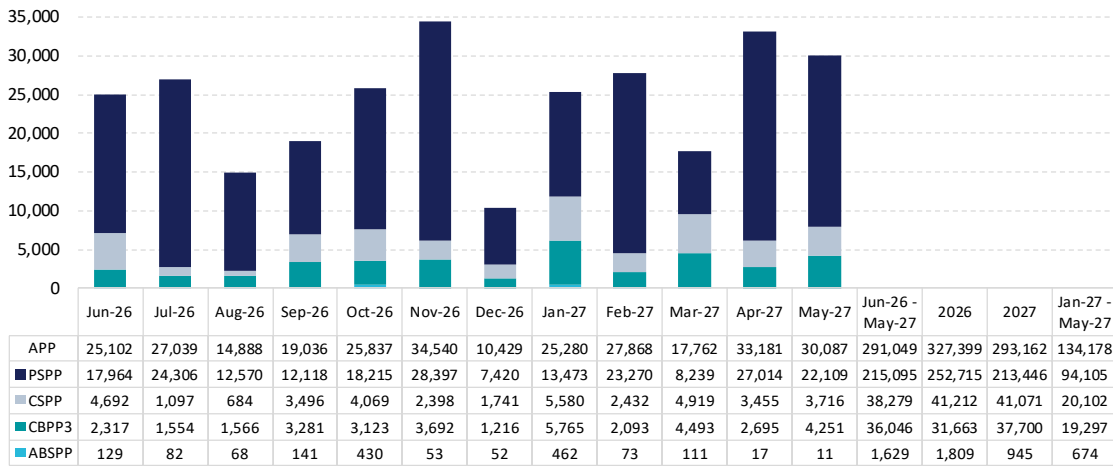
APP: Portfolio development



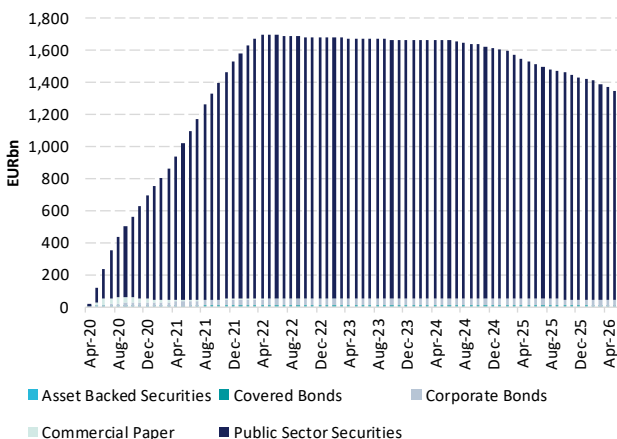
APP: Portfolio structure



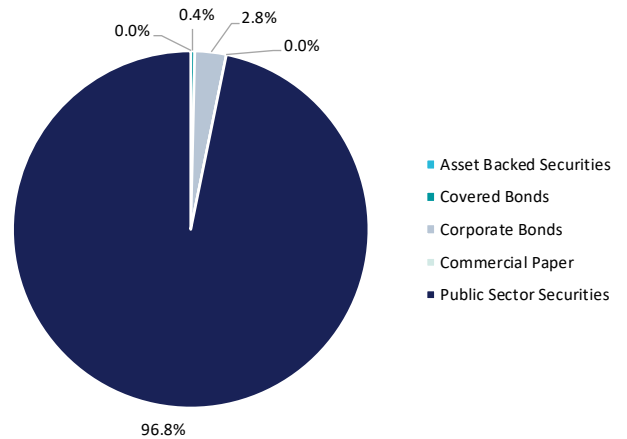
Expected monthly redemptions (in EURm)



PEPP: Portfolio development



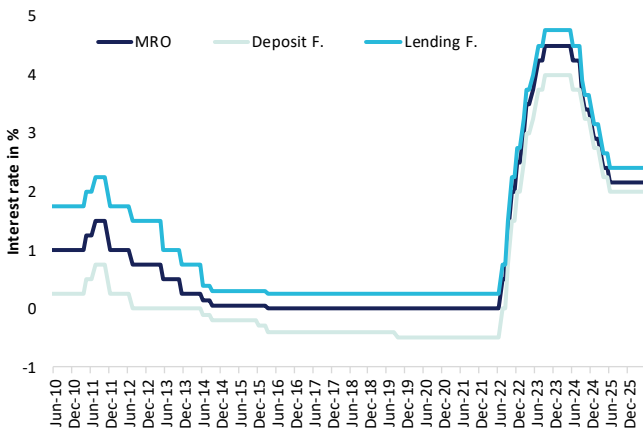
PEPP: Portfolio structure



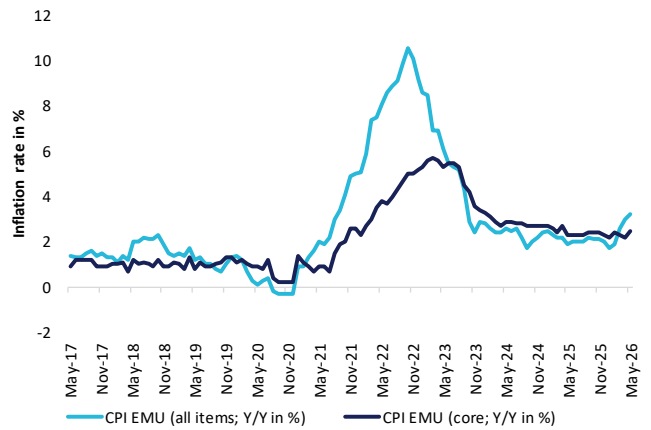
# Charts & Figures

## Cross Asset

**ECB key interest rates**



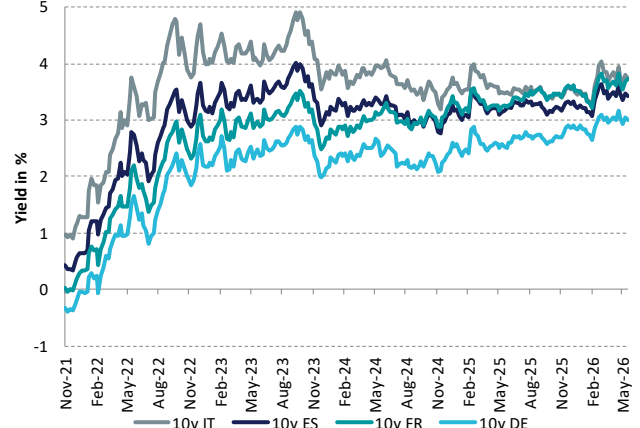
**Inflation development in the euro area**



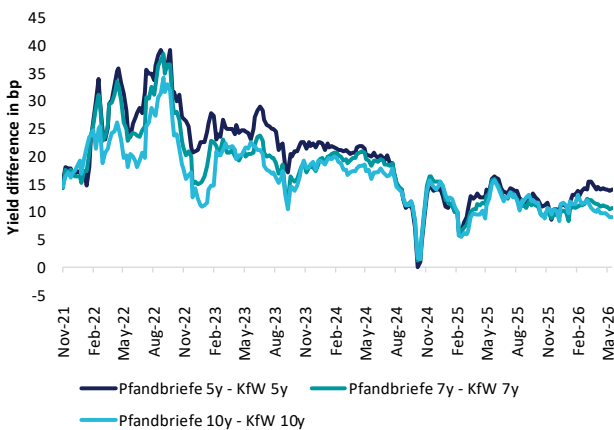
**Bund-swap-spread**



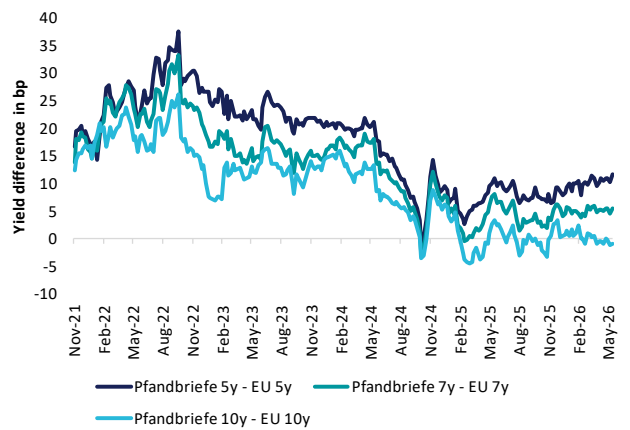
**Selected yield developments (sovereigns)**



**Pfandbriefe vs. KfW**



**Pfandbriefe vs. EU**



## Appendix

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

Publication	Topics
<a href="#">18/2026 // 10 June</a>	<ul style="list-style-type: none"> <li>Triodos Bank – new issuer from the Netherlands</li> <li>Auckland Council – AUCCCN in the spotlight</li> </ul>
<a href="#">17/2026 // 03 June</a>	<ul style="list-style-type: none"> <li>Focus on the relative value of covered vs government bonds</li> <li>Teaser: Issuer Guide – Nordic Agencies 2026</li> </ul>
<a href="#">16/2026 // 27 May</a>	<ul style="list-style-type: none"> <li>Focus on covered bond jurisdictions: Canada in the spotlight</li> <li>Stability Council convenes for 35th meeting</li> </ul>
<a href="#">15/2026 // 20 May</a>	<ul style="list-style-type: none"> <li>Covereds: Transparency requirements §28 PfandBG – Q1/2026</li> <li>Teaser: Issuer Guide – Dutch Agencies 2026</li> </ul>
<a href="#">14/2026 // 13 May</a>	<ul style="list-style-type: none"> <li>Covereds – ESG benchmark segment: limited market growth expected</li> <li>Current LCR classification for our SSA coverage</li> </ul>
<a href="#">13/2026 // 29 April</a>	<ul style="list-style-type: none"> <li>Cross Asset: Benchmark indices for Covered Bonds and SSA/Public issuers</li> </ul>
<a href="#">12/2026 // 22 April</a>	<ul style="list-style-type: none"> <li>Italy: Covered bond jurisdiction on the rise</li> <li>New Zealand Local Government Funding Agency in the spotlights</li> </ul>
<a href="#">11/2026 // 15 April</a>	<ul style="list-style-type: none"> <li>Covereds: Which way will the market move in the months ahead?</li> <li>The SSA segment in 2026 – status quo and outlook</li> </ul>
<a href="#">10/2026 // 01 April</a>	<ul style="list-style-type: none"> <li>Cross Asset: Relative value – in the eye of the storm?</li> </ul>
<a href="#">09/2026 // 25 March</a>	<ul style="list-style-type: none"> <li>Covereds: Issuers under pressure – attractive issuance windows limited</li> <li>Update: Joint Laender jumbos (ticker: LANDER)</li> </ul>
<a href="#">08/2026 // 18 March</a>	<ul style="list-style-type: none"> <li>Covereds: Transparency requirements §28 PfandBG</li> <li>Teaser: Issuer Guide – Non-European Supras (MDBs) 2026</li> </ul>
<a href="#">07/2026 // 04 March</a>	<ul style="list-style-type: none"> <li>Public sector covered bonds: comeback on the cards?</li> <li>Export Development Canada – spotlight on EDC</li> </ul>
<a href="#">06/2026 // 25 February</a>	<ul style="list-style-type: none"> <li>CEE region: growing covered bond markets</li> <li>Current risk weight of supranationals &amp; agencies</li> </ul>
<a href="#">05/2026 // 18 February</a>	<ul style="list-style-type: none"> <li>Development of the German property market (vdp index)</li> <li>Credit authorisations of the German Laender for 2026</li> </ul>
<a href="#">04/2026 // 04 February</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="#">03/2026 // 28 January</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="#">02/2026 // 21 January</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="#">01/2026 // 14 January</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="#">43/2025 // 17 December</a>	<ul style="list-style-type: none"> <li>Cross Asset: Dutch pension funds in the spotlight</li> </ul>
<a href="#">42/2025 // 10 December</a>	<ul style="list-style-type: none"> <li>Focus on spread relationships: Covereds vs. Seniors</li> <li>Teaser: Beyond Bundeslaender – Belgium</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 Q1/2026](#) (quarterly update)

[Transparency requirements §28 PfandBG Q1/2026 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:

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[Beyond Bundeslaender: Canadian Provinces](#)

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

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[Issuer Guide – European Supranationals 2025](#)

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[Issuer Guide – German Agencies 2025](#)

[Issuer Guide – French Agencies 2025](#)

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[Issuer Guide – Spanish Agencies 2025](#)

#### Fixed Income Specials:

[ESG-Update 2025](#)

[ECB preview: To hike or not to hike?](#)

## Appendix

### Contacts at NORD/LB

#### Floor Research



**Dr. Norman Rudschuck, CIIA**

Head of Desk

+49 152 090 24094

[norman.rudschuck@nordlb.de](mailto:norman.rudschuck@nordlb.de)



**Lukas Kühne**

Covered Bonds/Banks

+49 176 152 90932

[lukas.kuehne@nordlb.de](mailto:lukas.kuehne@nordlb.de)



**Elias Degener**

Covered Bonds/Banks

+49 157 851 65214

[elias.degener@nordlb.de](mailto:elias.degener@nordlb.de)



**Lukas-Finn Frese**

SSA/Public Issuers

+49 176 152 89759

[lukas-finn.frese@nordlb.de](mailto:lukas-finn.frese@nordlb.de)



**Tobias Cordes, CIIA**

SSA/Public Issuers

+49 162 760 6673

[tobias.cordes@nordlb.de](mailto:tobias.cordes@nordlb.de)

#### Sales

Institutional Sales	+49 511 9818-9440
Sales Sparkassen & Regionalbanken	+49 511 9818-9400
Institutional Sales MM/FX	+49 511 361-9460
Fixed Income Relationship Management Europe	+352 452211-515
Retail & Structured Products	+49 511 361-9420

#### Origination & Syndicate

Origination FI	+49 511 9818-6600
Origination Corporates	+49 511 361-2911

#### Treasury

Liquidity Management/Repos	+49 511 9818-9620 +49 511 9818-9650
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#### Trading

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#### Relationship Management

Institutionelle Kunden	<a href="mailto:rm-vs@nordlb.de">rm-vs@nordlb.de</a>
Öffentliche Kunden	<a href="mailto:rm-oek@nordlb.de">rm-oek@nordlb.de</a>

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