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Issuer Guide 2026 – German Laender

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German Laender

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Foreword

With an outstanding volume equivalent to around EUR 451bn split between a total of 851 bonds, the 16 German Laender continue to represent by far the largest sub-sovereign market in Europe. The outstanding volume and annual primary market activities of the German Laender segment outweigh all other sub-national levels. Characterised by a steady supply of new bonds, the Laender segment has always represented an interesting alternative to sovereign bonds – although it is worth pointing out that the relative attractiveness compared with Bunds has taken a hit in recent years. As a result, it ranks among the most liquid, albeit not necessarily the most complex, markets in the European universe for supranationals, sub-sovereigns and agencies (SSA). Anchored in the constitution, the debt brake is one of the more recent regulatory developments and has defined the budgetary frameworks of the Laender since 2020. Up to March 2025, the debt brake essentially prohibited any net borrowing (for the Laender) not related to an emergency situation that is beyond the control of the public sector. As with the revised system of federal financial equalisation, the implementation of the debt brake represented one of the most important changes regarding Laender finances for quite some time. As is known, the debt brake was suspended on a nationwide basis shortly after coming into force due to the COVID-19 pandemic for the period 2020 through to 2022 inclusive, after the emergency paragraphs contained in the legislation were invoked. In March 2025, the Bundestag, the German federal parliament, adopted a reformed debt brake at the level of both Bund and Laender. For the sub-sovereigns, this means that annual net new borrowing of 0.35% of GDP is now permissible. This provision had previously only applied to the Bund and is expected to influence the financial framework conditions of the Laender in future. As it happens, a majority of the Laender already made use of this additional debt leeway in 2025.

Issuer Guide – German Laender now in its 13th edition

The annual publication of the *Issuer Guide – German Laender* is part of a series of NORD/LB Floor Research products covering individual issuers and market segments in the global bond market. Following the first issue in 2013 − and an unplanned break in 2019 − this publication marks the 13th edition of the guide, which has consistently provided an extensive overview of the largest EUR market for sub-sovereigns. The focus of this report has always been on providing a relative comparison of this group of issuers, in addition to highlighting their respective idiosyncrasies. With the 16 Laender and the Joint Laender issuance vehicle, we are once again firmly of the view that this publication will offer readers an extensive insight into the German Laender segment.

Laender versus Bundeslaender: a (very German) grammatical-legal alignment

According to Germany's federal constitutional framework, a "Land" (as per official legal terminology; often referred to as a Bundesland in common German parlance; plural version: Laender/Bundeslaender), or federal state, is a partially sovereign member state of the Federal Republic of Germany. Since 1990, the Federal Republic of Germany has consisted of 16 federal states. According to the Basic Law (Grundgesetz [GG]; effectively the constitution of the Federal Republic of Germany), the Laender together do not merely represent some loose confederation of states but rather form a sovereign federal nation. For this reason, having previously opted to accordingly adjust the headings in earlier editions of this publication, we will once again occasionally refer to Bundeslaender in the main body text, since we also receive international recognition for greater returns and pick-ups with our "Beyond Bundeslaender" publication series.

Print version discontinued

A few years ago, we decided to publish all *NORD/LB Issuer Guides* exclusively in PDF format (soft copy) due to sustainability considerations.

Extended chapter: German Laender and ESG

Staying on the topic of sustainability, this year we will again be dealing with ESG (Environmental, Social, Governance) aspects in connection with our analysis of the German Laender. As in the previous year, five Laender in total have developed their own frameworks, under which they have already placed benchmark bonds: North Rhine-Westphalia leads the way (sustainability), followed by Baden-Wuerttemberg and Hesse (both green), as well as Berlin (sustainability) and Saxony-Anhalt (social). In addition, Hamburg is working on a Green Bond Framework, although at the time of preparing this edition of the *Issuer Guide – German Laender* the Hanseatic city had not yet published its framework.

Overarching changes in the segment

The principle of federal loyalty and the old federal financial equalisation system resulted in a clear convergence of the credit profiles of the individual Laender, both with respect to each other and relative to the federal government. The introduction and preparatory phase of the debt brake and the monitoring of German Laender finances by the Stability Council have represented additional factors that have heightened this effect in recent years. At the same time, Laender finances continue to face huge challenges. Growing municipal debt and high pension liabilities are just two factors that have already made budget management significantly more difficult, and which will come into focus again in the coming years in the wake of COVID-19 and energy (price) crises. The reform of the federal financial equalisation system agreed at the end of 2016 helps to reduce the tensions that had built up in the past in terms of the relationships between the Laender themselves. These and other major challenges (geopolitical flashpoints, trade conflicts, climate change, influxes of refugees, etc.) are impeding the significant progress that the Laender have made in connection with required budget consolidation efforts. Nevertheless, fundamental and significant differences continue to exist between the individual sub-sovereigns, resulting in a situation that, in our opinion, necessitates a relative analysis.

Inclusion of ratings from Scope

To present the creditworthiness of the German Laender, we have always relied on the credit ratings of the three major rating agencies Fitch, Moody's and S&P. Last year, we decided to also include the ratings of the European risk experts at the Berlin-based Scope Ratings GmbH in our individual issuer profiles. The background to this development primarily related to the ECAF (Eurosystem Credit Assessment Framework) approval from the ECB and Scope's significantly expanded coverage in the German Laender segment. In fundamental terms, the rating agency issues ratings for all 16 German sub-sovereigns. However, there is a distinction to be made as to whether the issuer has officially mandated Scope, thereby consenting to making the credit assessment publicly available. At the time of preparing this study, a total of six Laender, namely Baden-Wuerttemberg, Bavaria, Berlin, Hesse, North Rhine-Westphalia and Saxony-Anhalt, had mandated Scope to provide a rating. As such, Scope's ratings cover around 62% of the outstanding volume of Laender bonds (excl. LANDER) on a mandated basis. In this way, the credit assessments for the remaining ten German sub-sovereigns are not publicly available. Scope awards all mandated Laender a rating of "AAA" with a stable outlook, which is primarily justified by the federal financial equalisation system and principle of federal loyalty.

NORD/LB publications to complement our Issuer Guides

To complement this Issuer Guide, which aims to provide a comprehensive market overview, our range of publications also looks at specific market developments and fundamental changes in framework conditions across the entire SSA segment and covered bond market. These regular (in some cases weekly) publications, analyses and commentaries can be found in the usual manner via our homepage as well as at Bloomberg via the following function: DS NDB <GO>. Should any of our readers not yet have access to these platforms, then please contact your account manager, send an email to markets@nordlb.de or register here to sign up for our newsletter.

Conclusion

The present *Issuer Guide – German Laender* therefore aims to facilitate a relative comparison of German sub-sovereigns against the backdrop of the constitutional and regulatory framework conditions. In this context, we also highlight the differences relating to spreads and issuance volumes in light of the fundamental development of finances and the economy in the German Laender. Moreover, we will cover the Joint Laender issuance vehicle (ticker: LANDER), which places Laender jumbos at volumes of EUR ≥1bn on the market, in order to offer a differentiated analysis.

Constitutional framework
Principle of federal loyalty

Federal loyalty as unwritten constitutional law
Art. 20 of the Basic Law (Grundgesetz; GG) defines Germany as a federal republic. A structure of this type is classified under constitutional law on the basis that the federal government (Bund) and federal states (German Laender), as members of the federal republic, must collaborate with the aim of forging mutually beneficial ties. In his essay entitled "Unwritten Constitutional Law in a Monarchic Federal State" (Ungeschriebenes Verfassungsrecht im monarchischen Bundesstaat) published in 1916, Rudolf Smend shaped our understanding of the German principle of a federal state. As an unwritten facet of constitutional law, the relationship between the federal government and Laender, Smend writes, is based on a spirit of cooperation instead of one of pure subordination. In its decision of 21 May 1952, the German Federal Constitutional Court (Bundesverfassungsgericht) referred to Smend's interpretation and came to the view that the principle of federalism includes a legal obligation on the federation (Bund) and all its members to "conduct themselves in a way that is favourable towards the federation" (Federal Constitutional Court Decision [BVerfGE 1, 299]). As such, the ruling gave rise to our contemporary understanding of the principle of "federal loyalty", as it is also known.

Implementation and definition of federal loyalty: Bremen and Saarland 1992
In 1992 an "extreme" budgetary crisis was identified in the Laender of Bremen and Saarland, which was subsequently confirmed by the Federal Constitutional Court for both sub-sovereigns. The Court also defined the principle of federal loyalty (BVerfGE 86, 148): "If a member of the German federal community, whether it be the federal government or one of the federal states, is in the grip of an extreme budgetary crisis, the federal principle is defined by the duty of all the other members of the German federal community to render assistance to the affected member. The objective shall be to stabilise the budget based on concerted measures." As a result, both Bremen and Saarland received payments to help restructure their budgets in the wake of the extreme budgetary crisis in these Laender. For example, between 1999 and 2004, Bremen received the equivalent of EUR 3.9bn (DEM 7.7bn) in staggered special-need federal supplementary grants (Sonderbedarfs-Bundesergänzungszuweisungen; SoBEZ) of decreasing amounts in order to restructure the budget, while Saarland received the equivalent of EUR 2.6bn (DEM 5.0bn) across the same time frame.

"Extreme" budgetary crisis as a prerequisite for federal loyalty to apply
The decision handed down by the Federal Constitutional Court created a prerequisite for federal loyalty to apply or for assistance to be provided by the Bund and Laender: an "extreme" budgetary crisis. The Federal Constitutional Court used a total of three indicators to assess the Laender budgets and to determine whether an "extreme" budgetary crisis existed: the credit financing ratio, as the ratio of net borrowing to the budgetary revenue and expenditure; the interest-tax ratio, as the ratio of payable interest to taxes received; and the primary balance, as the difference between the primary or core expenditure and the primary revenue, in which the net borrowing and other items are excluded. In the case of both the Free Hanseatic City of Bremen and Saarland, the budgetary crisis was assessed as "extreme" on the basis of these indicators in comparison with the other German Laender.

The case of Berlin in 2002

In 2002, Berlin tested the concept of federal loyalty. Berlin's Senate identified an extreme budget crisis, whereby it was concluded that federal restructuring aid would be an unavoidable measure required to help consolidate the city state's budget. The budgetary situation was regarded by the Berlin Senate as fulfilling the requirements for entitlement to restructuring aid under constitutional law. Berlin's application for a judicial review submitted to the Federal Constitutional Court was, however, rejected. The Court regarded restructuring obligations on the part of the federal government and claims by a federal state in distress "as alien to the federal financial equalisation system, based on the purpose and spirit of Art. 107(2) Sentence 3 of the Basic Law (Grundgesetz; GG). They are in conflict with the principle implying that autonomous budgetary policy must be dealt with by the Laender independently and on their own responsibility" (press release issued by the Federal Constitutional Court, No. 96/2006 of 19 October 2006). Although the Federal Constitutional Court assessed the existence of a budget emergency as being the result of insufficient financial resources, it actually saw more of a need to reform the federal financial equalisation system instead of providing additional federal grants. Nevertheless, the Federal Constitutional Court emphasised that federal aid provided through restructuring funding was admissible as a last resort.

Federal aid only in extreme budget crisis

The Court added that this was only permitted and necessary if a budgetary crisis was considered extreme in relation to the budgets of the other Laender. However, this was not the case in Berlin, it concluded. Nevertheless, the Court did identify potential for additional consolidation measures. In this context, it expressly pointed to the significantly higher expenditure by Berlin in comparison with Hamburg, e.g. in relation to "cultural affairs", among other aspects.

Comment

The principle of federal loyalty as unwritten constitutional law is a basic element of the principle of German federalism. The aforementioned judgement of the Federal Constitutional Court once again increased the pressure on the federal government (Bund) and Laender to reform the financial equalisation system should budgetary emergencies become increasingly apparent or actually arise. However, in our view, the likelihood of support from Bund and Laender in extreme emergency situations has not decreased as a result of the judgement cited above. On the contrary, the increased pressure on both Bund and Laender led to an informed debate on revisions to the financial equalisation system and ultimately to a proposal to reform it in October 2016. As a result of this, the tensions between the "contributor and recipient Laender" (as they were known at this time) were significantly eased, providing the Laender with budgetary certainty in connection with the debt brake applicable from 2020. From our point of view, this is certainly to be assessed positively. Since then, a new and reformed system has been in force, in which no money is directly redistributed horizontally between the Laender. Instead, VAT is distributed from the outset in such a way that financially weaker Laender receive more funding – in this way, the aim, among other aspects, is to avoid any debate between contributors and recipients. Moreover, the federal government is to ease the burden on the Laender to the tune of EUR 10bn per annum. At the same time, the tasks assigned to the Laender were modernised in key areas and the competencies of the federal government strengthened. In the following chapter, we shall look in detail at the federal financial equalisation system adopted by Germany.

Constitutional framework
The federal financial equalisation system

Federal financial relationships in Germany

With the federal financial equalisation system, Germany has at its disposal a system – similar to other federal nations – aimed at harmonising the financial power of the individual Laender, so that these are able to fulfil the tasks incumbent upon them. Furthermore, the federal financial equalisation system is intended to provide a platform for the creation and maintenance of equal living conditions across the whole of Germany. The special feature of the German system up to and including 2019 was a pronounced horizontal component of equalisation, via which money was distributed directly between the individual Laender. After the old regulations, namely the Financial Equalisation Act (Finanzausgleichsgesetz) and the Standards Act (Maßstäbegesetz, MaßstG) expired at the end of 2019, a revised version of the federal financial equalisation system within the meaning of Art. 107 GG has been in force since the beginning of 2020, in which the horizontal distribution level no longer plays such a key role. In the form applicable up to the end of 2019, the federal financial equalisation system comprised a vertical distribution component of all tax revenues at the level of federal government, Laender and municipalities, a horizontal VAT distribution component, the financial equalisation of the Laender in the actual sense of the phrase and federal supplementary grants (Bundesergänzungszuweisungen; BEZ).

Summary of the old federal financial equalisation system

The public perception of the old system of federal financial equalisation was shaped by debates about "net payers and net recipients", above all among the Laender themselves. In this context, the former group tended to hold a more negative opinion of the system than the latter. Overall, it was clear that the East German Laender and Berlin received the highest funding across the period under review as a whole since 1995, the costs of which were overwhelmingly borne by the financially strong Laender in the south and west of Germany. On the net payer side, Bavaria contributed the largest sum in the period under review, followed by Baden-Wuerttemberg. East German non-city states were always net recipients across every level of the federal financial equalisation system since its inception.

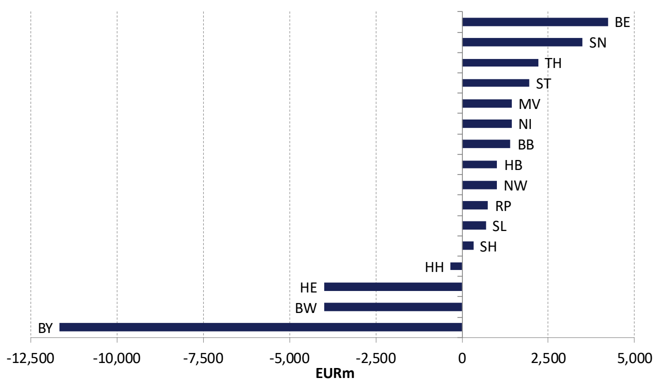
Reform of the financial equalisation system from 2020

The previous mechanism of direct horizontal equalisation payments was effectively abolished in 2020. At its core, the reform centred on the abolition of the previous advance VAT equalisation and the direct, horizontal financial equalisation between the Laender – as a result of which the concept of the Laender being categorised as either "payers" or "recipients" has been rendered obsolete. Instead, the Financial Power Equalisation (Finanzkraftausgleich; FKA) is now handled by way of surcharges or deductions in relation to VAT distribution, as well as through additional federal supplementary grants (BEZ) from the federal budget. As a community tax, VAT continues to be distributed vertically according to the key specified in the Financial Equalisation Act. However, one new feature is that the respective financial power is also considered when allocating revenue at the level of the individual Laender (pursuant to Art. 107(2) of the Basic Law). This represents a departure from a purely population-based distribution. Within the framework of the FKA, the varying levels of fiscal capacity of the Laender play a central role. Sub-sovereigns with below-average financial strength will receive equalisation payments to achieve at least 99.75% of the Laender average, a slight increase from the previous threshold of 99.5%. In the event that an individual federal state's financial strength remains below the Laender average, this gap will then be closed by way of what are known as general federal supplementary grants (BEZ payments).

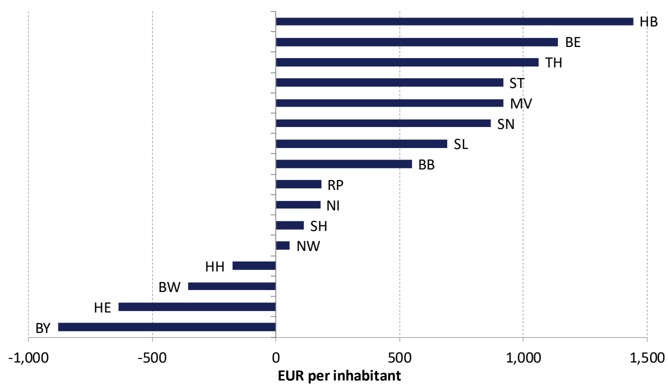
Bavaria, Baden-Wuerttemberg and Hesse remain by far the largest "payers" in the financial equalisation among the Laender (LFA)…

The distributed volume of financial equalisation payments between the Laender themselves in the actual sense of the phrase (LFA) increased significantly from EUR 1.5bn to EUR 5.7bn following the integration of the East German Laender in the system in 1995. In 2025, the distributed volume reached another new peak value of EUR 20.0bn (2024: EUR 18.7bn). The main payers across the period under review from 1995 to 2025 were Bavaria (aggregated total of EUR 138.4bn), Baden-Wuerttemberg (EUR 78.3bn) and Hesse (EUR 69.1bn). Moreover, these three sub-sovereigns were the only ones to always be net payers during this time frame. Under the LFA, the East German Laender in particular are the largest beneficiaries, with Berlin taking top spot here at EUR 98.2bn, followed at some distance behind by the Free State of Saxony (EUR 45.3bn). Moreover, it is noteworthy here that the difference between the contributions made by the largest payers and the allocation to the main recipients increased substantially over time, as was the case under the UStA, signalling a rising economic disparity that holds true in both absolute and relative per capita terms. In 2025, Bavaria paid a total of EUR 880 per capita, while Bremen received EUR 1,444 per capita, which equated to a difference of EUR 2,324. In 2010, this value totalled EUR 1,127 (payer Hesse: EUR 289 per capita; recipient Berlin: EUR 838 per capita), while back in 1995 when the East German Laender were first integrated in the LFA, the equivalent figure stood at EUR 805.

LFA 2025 (absolute)



LFA 2025 (per capita)

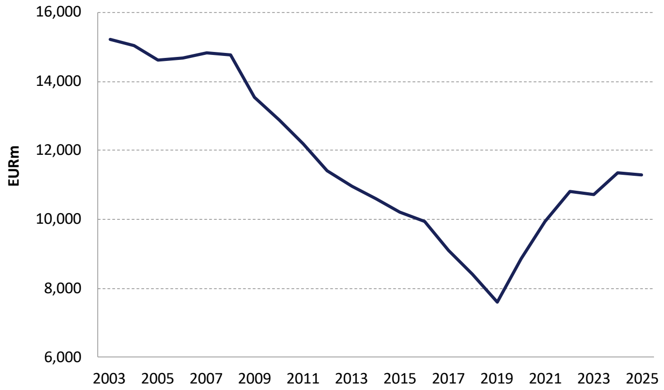


Source: German Federal Ministry of Finance, NORD/LB Floor Research

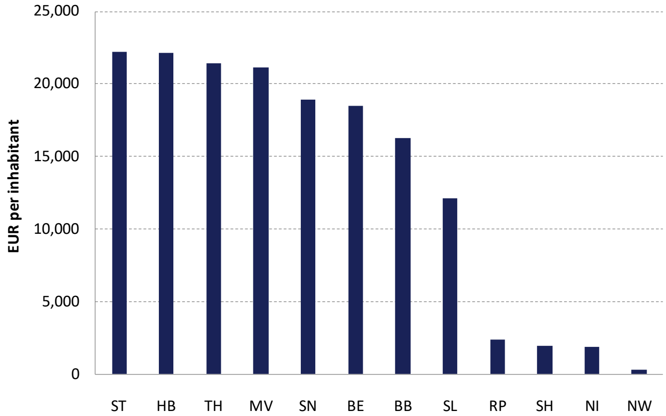
...and do not qualify for federal supplementary grants

As federal supplementary grants (BEZ) are intended for Laender with below-average financial strength in the reformed system, it should come as little surprise that the economically powerful sub-sovereigns – i.e. Bavaria, Baden-Wuerttemberg and Hesse – have to date received no resources from this pot. In contrast, the East German Laender and Berlin have primarily benefited to the greatest extent from the payments made under Solidarity Pact II, which are contained within BEZ. Of the total volume of EUR 375.6bn paid out since 1995, these sub-sovereigns account for around two thirds. In the overall calculation, Saxony is the largest recipient, banking a volume of EUR 76.3bn. In West Germany, Bremen and Lower Saxony have benefited to the greatest extent from BEZ payments (EUR 15.6bn and EUR 15.1bn respectively). In relation to population, Saxony-Anhalt is the largest beneficiary at EUR 22,197 per capita, followed by Bremen and other East German Laender. Since 2009, the annual volume of BEZ payments had been on the slide, although the volume then rose sharply again in 2020 on account of the new federal financial equalisation system. However, a sideways movement was observed in 2025. In view of the greater role incumbent upon the Bund, our view is that the growth recorded here in previous years is, however, likely to continue in the years to come.

Annual BEZ volume



BEZ received per capita 1995–2025



Source: German Federal Ministry of Finance, NORD/LB Floor Research

Consolidation and restructuring aid

Apart from the above-mentioned mechanisms, the instrument of consolidation aid also existed up to 2019. Through this, the Bundeslaender of Berlin, Bremen, Saarland, Saxony-Anhalt and Schleswig-Holstein received additional funds from the federal budget to enable them to comply with the stipulations of Art. 109(3) of the Basic Law (Schuldenbremse; referred to as the debt brake in English), which was applicable from the start of 2020 onwards. Overall, Bremen received EUR 300m per annum, while Saarland was entitled to a sum of EUR 260m on an annual basis. Berlin, Saxony-Anhalt and Schleswig-Holstein each received EUR 80m annually, with two-thirds of the payments being made in the budget year in question and the remainder following 12 months later. The Stability Council was responsible for monitoring compliance with consolidation obligations, including the complete dismantling of the structural financing deficit by 2020. Bremen and Saarland have continued to receive additional funding of EUR 400m each from the Bund since 2020. This is known as restructuring aid and is linked to certain conditions with regard to debt reduction and budget consolidation as well as measures to be implemented to increase the economic and financial strength of the Laender (§1 Law on Restructuring Aid [Sanierungshilfengesetz; SanG]). In contrast to the consolidation aid, it is the Federal Ministry of Finance (BMF) that is responsible for the assessment in this instance.

Restructuring aid payments case study: Bremen

Using Bremen as a case study, we shall explain how the city state must comply with the restructuring obligations set out in the Law on Restructuring Aid (SanG) and defined in the administrative agreement in order to qualify for restructuring aid from the federal government. The administrative agreement predominantly specifies the concept of budgetary repayments as well as regulating the reporting and disclosure obligations for the Free Hanseatic City of Bremen towards the Federal Ministry of Finance (BMF). Bremen must submit a yearly report on the fulfilment of restructuring obligations by 30 April of each year (first instance in 2021). The aim of this report is, among other aspects, to calculate the budgetary repayments and comment on the measures taken in the reporting year to reduce excessive debt and strengthen the federal state's economic power. The BMF then assesses whether or not the conditions for awarding restructuring aid have been met. As such, the BMF can, at the request of Bremen, permit deviations from the ordinarily prescribed budgetary repayments in justified exceptional cases. As we set out in the previous paragraph, this should not be confused with the consolidation procedures that expired at the end of 2020 for the previously cited Laender. A structurally balanced budget was planned for 2020. Due to the exceptionally high strain on Laender finances caused by the COVID-19 pandemic, the Stability Council identified that a specific emergency situation had occurred and therefore deemed the lack of a balanced budget in Bremen to be permissible.

Criticism of financial equalisation and reform

Criticism has been directed at the federal financial equalisation system since its inception: for example, one argument cited was that by seeking to strongly align the financial strength of the Laender, there would be insufficient incentives for all parties involved to improve their respective economic situation, but especially for the recipient Laender. In 2013, Bavaria and Hesse initiated legal proceedings with the Federal Constitutional Court to verify the constitutional conformity of the LFA. However, these Laender subsequently withdrew their claim in 2017 when the revised form of the federal financial equalisation system began to take shape. Since 2020, new rules have been in force governing federal financial relationships that provide additional money to the Laender but simultaneously award greater powers to the federal government. Implementation required the Basic Law to be amended in 13 sections. For this, a two-thirds majority in both the Bundestag and the Bundesrat was required. The agreement on the sections to be reformed and the need to restructure the financial equalisation system made it highly likely in advance that the required majority would be comfortably achieved. In principle, the revised version has been conceived in such a way that it should apply for an unlimited period, unless at least three Laender and the federal government request a further reform after 2030. This gives the federal government a vetoing minority. The reform of the financial equalisation system was finally approved on 01 June 2017. The convergence of financial strength is now handled by way of VAT distribution payments, with the scope of federal supplementary grants expanded too. Under the reformed system, the advance VAT equalisation component and LFA have been merged into what is now known as the FKA. As the financially strong Laender now give up a portion of VAT revenues but, in return, no longer make direct payments out from their own budgets, the concept of the Laender being either “payers” or “recipients” has in effect been rendered obsolete. Another result of merging the UStA and LFA components was a short-term new role for North Rhine-Westphalia, which was ranked as an economically strong federal state in 2020 for one year only. Under the former arrangements, NRW received payments from the LFA between 2010 and 2019, while it posted payment outflows within the framework of the UStA. The distribution of VAT is conducted based on the number of inhabitants and financial power, with the share of municipal revenues considered increased to 75% and a larger portion of VAT going to the Laender overall. The notional population increases, the aim of which is to take into consideration the “structurally induced increased needs” of certain Laender, have been retained. Furthermore, federal government grants to the municipalities have been introduced to address differences in financial power. Still, criticism has continued to be directed at the revised system: in 2023, the Free State of Bavaria filed another lawsuit with the Federal Constitutional Court against the LFA mechanism. In our opinion, there is a possibility, for example, that Bavaria, Hesse and Baden-Wuerttemberg could band together to reorganise financial relations between the Laender after 2030. Conversely, a litigation group of a dozen Laender, including Lower Saxony, advocates keeping the current system in place.

The result

During the process of reworking the federal financial equalisation system, the top priority was to ensure that none of the Laender should be worse off than under the old framework. Under the revised version of the federal financial equalisation system, the Laender receive an additional sum of around EUR 10bn per year overall. If we take into consideration the fact that the Solidarity Pact II also expired at the end of 2019 and that no more disbursements will be made under that framework, the increase in payments to the Laender amounts to just EUR 4bn. However, their request to dynamically link this sum pro rata to increasing VAT receipts has not been fully met. Instead, a compromise was agreed in which a partial amount (EUR 1.42bn) is to be dynamically linked. In return for the additional financing for Laender and municipalities, the federal government has had additional powers at its disposal since 2020.

Additional powers for the federal government
The additional powers for the Bund essentially involve:

1. *Management of motorways*

   In future, the Bund shall be solely responsible for the construction of motorways through the formation of an infrastructure company under private law (motorway administration).

2. *Digitisation through a central citizen portal set up by the Bund*

   A new citizen portal will lead to more uniform standards for online administration applications. The aim here is to make administrative procedures more efficient.

3. *Investment assistance from the Bund "in areas of importance for the overall interest of the state"*

   In future, it is to become easier for the federal government to participate in financing for local authority projects. In particular, extended co-financing capabilities in relation to the education infrastructure of financially weak local authorities are planned.

4. *Monitoring and control rights for the Stability Council and Federal Court of Auditors*

   Additional powers to monitor the use of financial resources at Laender level.

5. *Strengthening tax administration powers*

   Strengthening the tax administration powers of the Bund, particularly in the area of information technology.

“Municipal financial power allocation” for local authorities
In the case of general BEZ, the thresholds and tariffs for the equalisation payments have been raised at regular intervals. For local authorities, the implementation of a “municipal financial power allocation”, which is to be used to cover gaps in financial power at municipal level, is likely to be of primary interest. The current special-need BEZ grants, from which the eastern German Laender have mainly benefited, were discontinued at the end of 2019. The previous horizontal equalisation between financially strong and financially weak Laender is therefore being scaled back further. At the same time, the Bund will assume greater financial responsibility for the Laender by way of increased verticality in the system, while the dependency of the Laender on the federal government will also rise as a result of this.

Local authorities better off…
From a purely financial viewpoint, the impact of reorganising Bund-Laender finances on municipalities is certainly to be welcomed. The higher weighting of the financial situation of a federal state’s municipalities within the scope of VAT allocation, as well as the structuring of BEZ based on the financial strength of the municipalities, will lead to greater account being taken of municipalities in the federal financial equalisation system and will lead – at least in theory – to the conclusion that the municipalities will have more solid finances following the new system taking effect. In practice, however, they only stand to benefit if the Laender actually forward the higher revenues on to the municipalities. This is assured in the Laender in which a combined rate or a uniformity principle has been established. There is, however, no generally applicable statutory allocation practice at municipality-Laender level. Consequently, there is a risk that only some of the extra funds will be forwarded to the municipalities and instead will end up in the general budget of the respective federal state. Despite the fact that the Laender bear responsibility for financing their municipalities, these receive direct support from the Bund by way of additional federal funds for educational infrastructure. This is where the dependency on the federal government also increases. Added to this is the fact that linking the federal investment to the financial weakness of the municipalities may reduce incentives for the Laender to provide their municipalities with sufficient financial resources off their own back.

…at the expense of increased dependency on the federal government

This support in the field of education also means that the Laender bear less responsibility in one of their core areas: cultural policy. This results in the municipalities not only being more directly dependent on the Bund, but also to a greater extent as well. With the introduction of a nationwide citizen portal, critics also pointed to the potential risk of interference in the administrative sovereignty of the municipalities (principle of subsidiarity).

Greater convergence again fails to materialise

The Laender as a whole benefit from the reorganisation of Bund-Laender finances owing to the additional revenue to be provided by the federal government. For example, there was another rise in general BEZ payments in 2025, which totalled EUR 8.8bn (2024: EUR 8.2bn). Moreover, the Bund paid EUR 1.4bn (2024: EUR 1.4bn) in the form of GStK-BEZ payments (specific allocations to compensate for low municipal fiscal capacity) and EUR 327m (2024: EUR 300m) related to average-oriented research promotion equalisation payments. However, there was no evidence of greater convergence between the Laender in 2025. The gap between the highest and lowest levels of financial strength as measured by FKA has widened in comparison with 2024, while the gap in terms of financial strength as per BEZ has increased as well. As such, those Laender deemed to be particularly weak in terms of financial strength have continued to benefit to an above-average extent, although the new system has also led to savings for financially strong Laender at times as well.

All change for the federal financial equalisation system?

The first two years of the new federal financial equalisation system were impacted by a series of special effects linked to COVID-19. However, as these left their mark on all Laender, certain insights can already be gained and conclusions drawn from these skewed years. As already outlined, the changes made to the federal financial equalisation system will primarily give the Bund a more prominent role while improving the Laender's economic status. With NRW again switching back to the collection of financially weaker Laender from 2021 onwards, this group once again constitutes most of the German population. As such, a minority of the German population is now responsible for equalisation payments granted to the financially weaker majority. While the concept of Laender being either “net recipients” or “net payers” has been abolished, it retains political and media substance. Even under the new FKA system, Bavaria and Baden-Wuerttemberg are facing an aggregated payment burden of EUR 15.7bn. As calculated in advance, expenditure at the federal government level has been far higher than was the case under the old system. For example, at EUR 8.8bn in 2025, general BEZ payments came in at a new peak value and have therefore nearly doubled since 2019 (EUR 4.5bn). At this juncture, it is worth covering the new BEZ payments again: the new equalisation payments for low municipal fiscal capacity are responsible for some unorthodox configurations. In 2025, Saarland received an additional sum of just under EUR 95m, even though after FKA and general BEZ payments are considered, it boasts greater financial strength than Bremen, which came empty handed. Moreover, the supplements have the potential to alter the order of financial strength among the Laender. For example, after FKA payments but before BEZ payments the relative financial strength of Thuringia stood at a score of 89.4 points (Berlin: 91.5). However, this value increased to 101 points following BEZ payments of EUR 1,507m – of which EUR 384m was intended to offset particularly weak municipal fiscal capacity. In contrast, Berlin received BEZ payments of EUR 1,989m but no equalisation payments to offset the fiscal power of its municipalities, ultimately scoring 98.1 points for its financial strength. With Thuringia having received equalisation payments, it was able to rank higher in the financial power league table than Berlin. Regarding the research funding equalisation payments, it should be noted that these are non-earmarked funds and could therefore be used to cross-subsidise other budget items. Although they rose by +9% year on year to EUR 327m, they remain modest and have little impact on Laender budgets.

Comment

The federal financial equalisation system pursues the aim of providing a platform for the creation and maintenance of equal living conditions across the whole of Germany. Even though the distributed volumes of UStA and LFA have risen steadily in the past, there are still significant financial discrepancies, especially between West and East German Laender – even now, more than 30 years after reunification. However, disparities among the West German Laender are now also starting to emerge. It certainly remains open to debate as to whether the reforms implemented in the form of the FKA will lead to greater incentives for the Laender to pursue sound financial policies. In particular, the higher top-up rate for the final tier of the equalisation system, the BEZ payments, would appear to offer greater incentives to financially stronger Laender to enhance their revenues than is the case for their weaker counterparts. If there is a risk of an even greater fiscal drift between the "net recipients" and "net payers", the Bund would, as a result, be likely to intervene with even greater regularity by imposing regulations to even out the differences. However, criticism of the reformed system remains persistently high. In particular, the financially strong Laender, and above all Bavaria, were and continue to be the most outspoken critics. This hostility was underpinned by the Free State of Bavaria's decision to file another lawsuit with the Federal Constitutional Court. Although "net recipients" and "net payers" have, on paper at least, been abolished following the most recent reform, these terms – which are used to highlight the respective federal states' own strengths while at the same time morally denigrating the recipient Laender – continue to hold significant weight in media and political circles. However, the LFA, as the system of horizontal financial equalisation payments between the Laender themselves, plays a significant role in enabling German sub-sovereigns to conduct refinancing activities on the capital market at significantly more favourable terms than is the case for the Spanish, Belgian and French regions, for example. The principle of federal loyalty provides the institutional framework with an additional degree of robustness, which ultimately results in the credit profile of the German Laender being of unparalleled quality when measured against European and international standards.

Challenges for Laender finances
Debt brake and monitoring by the Stability Council

Reformed debt brake agreed in March 2025

As far back as the signing of the Treaty of Rome in 1957, officially known as the "Treaty establishing the European Economic Community" and referred to in updated form as the "Treaty on the Functioning of the European Union", the signatory sovereigns agreed to limit public deficits. This requirement was implemented in German law in the form of Art. 109 of the Basic Law in 2009. The Bund is therefore barred from generating any structural deficits that exceed 0.35% of nominal GDP, which it also adhered to between 2012 and 2019. In March 2025, the Bundestag resolved that spending on defence, civil protection and intelligence services above 1% of nominal GDP would no longer be subject to the debt brake regulations. Furthermore, it was stipulated that a special fund in the amount of EUR 500bn, limited to a period of 12 years, would be officially codified in the Basic Law to finance additional infrastructure investments and to achieve climate neutrality by 2045. Since 2009, the debt brake has obligated the German Laender to manage without any structural deficits and the associated net borrowing. However, following the reform, the Laender are permitted to incur debt amounting to 0.35% of GDP per year. As such, there is now scope for new borrowing – something which had previously been the sole preserve of the Bund. To this end, in addition to cyclical additional expenditures, exceptions are only permitted for natural disasters and exceptional emergency situations, as with COVID-19. This enabled the Bund to adopt supplementary budgets in both March and June 2020. After the outbreak of the pandemic, the Bund was able to comply with the requirements of the debt brake for the first time again in 2024. However, at federal state level, Schleswig-Holstein still breached the debt brake in 2024 following the annulment of an emergency loan, while all Laender complied with the requirements in 2025.

Precise wording

The debt brake is enshrined in Art. 109(3) of the Basic Law as follows: "The budgets of the Federation and the Laender shall in principle be balanced without revenue from credits. The Federation and Laender may introduce rules intended to take into account, symmetrically in times of upswing and downswing, the effects of market developments that deviate from normal conditions, as well as exceptions for natural disasters or unusual emergency situations beyond governmental control and substantially harmful to the state's financial capacity. For such exceptional regimes, a corresponding amortisation plan must be adopted. Details for the budget of the Federation shall be governed by Art. 115 with the proviso that the first sentence shall be deemed to be satisfied if revenue from credits does not exceed 0.35 per cent in relation to the nominal gross domestic product. From the revenue from credits taken into account, the amount shall be deducted by which defence expenditures and the expenditures of the Federation on civil defence and civil protection as well as on the intelligence services, on protection of information technology systems and on assistance for states under attack in breach of international law exceed 1 per cent in relation to the nominal gross domestic product. The first sentence shall be deemed to be satisfied by the totality of the Laender if the revenue from credits obtained by them does not exceed 0.35 per cent in relation to the nominal gross domestic product. The distribution of the borrowing by the totality of the Laender which is admissible under the sixth sentence among the individual Laender shall be regulated by a federal law requiring the consent of the Bundesrat. The Laender themselves shall regulate details for their budgets within the framework of their constitutional powers. Existing provisions of Land law in which the credit limit falls below that defined in the seventh sentence shall cease to have effect."

Monetary policy trapped between multiple crises, national debt leeway...
Since 2010, the Stability Council has been monitoring the financial situations of the Bund and Laender. Generally speaking, the committee meets every six months and has the power, for example, to prescribe restructuring programmes should any anomalies be determined in respect of the budgetary situations of Bund or Laender. In recent years, the Laender have already been taking into account the application of the debt brake in their respective budgetary planning processes. Germany continues to face a challenging situation in terms of its economy and monetary policy approach, which in the view of the Stability Council cannot be solely explained by weak economic development. Rather, it is said to also be structural in nature, at least in part. Moreover, (geo)political uncertainties, such as the ramifications of the Iran conflict, are creating additional monetary policy challenges. In line with the spring projection that the Bund published in April, economic prospects have therefore deteriorated once again: for example, the growth expectations for 2026 have been revised downwards from the previous level of +1.0% Y/Y to +0.5% Y/Y, while real GDP growth of +0.9% Y/Y is now anticipated for 2027. In all probability, the deteriorating economic outlook will soon be reflected in tax revenues: accordingly, in its tax forecast released at the beginning of May, the "Tax Estimates" Working Group also revised its tax revenue projections for Bund, Laender and municipalities downwards and now anticipates that these will end up EUR -17.8bn down on the forecast from October 2025. Over the years to come, the revenue shortfalls will come in at an average of EUR -17.4bn per year.

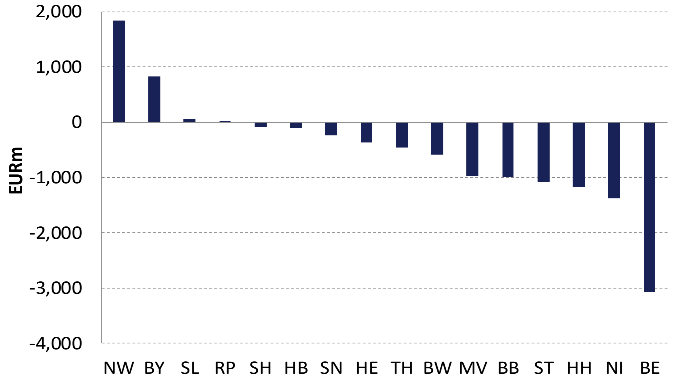
...and reformed European fiscal rules
Following the reform of the Stability and Growth Pact (SGP), the common fiscal framework was fundamentally altered in April 2024. The EU Regulation 2024/1263 no longer contains an annual target for the general government structural deficit, but rather a multi-year ceiling on the development of expenditure (known as the "net expenditure path"). This is intended to safeguard the Maastricht criteria, which remain in force, on annual new borrowing and the debt level over the long term. The Regulation on the reformed SGP requires Member States to submit a Fiscal-Structural Plan (FSP) in addition to reporting on the progress related to the implementation of the net expenditure path each year. After the Federal Government reached an agreement with the European Commission to postpone the submission of Germany's first FSP due to the early federal election, Germany eventually sent the plan to the Commission and the Economic and Financial Affairs Council (ECOFIN) in mid-July 2025. At the end of April this year, the German federal government submitted its progress report 2026 to the European Commission, in which it presented monetary policy projections for 2026 as at 31 March. According to their forecasts, the general government deficit could rise to around 4.3% of GDP in 2026. At the same time, the debt-to-GDP ratio is expected to rise to 66.5%, meaning Germany could potentially breach both Maastricht criteria in 2026.

Stability Council supports economic stimulus, but also calls for reforms
The Stability Council expressly supports the Bund's efforts to boost potential growth – not least with the aim of ensuring the long-term sustainability of public finances. In this context, the efficient use of funds from the Special Fund for Infrastructure and Climate Neutrality plays a vital role. At the same time, the Stability Council emphasises that defence and security spending, as well as the additional borrowing that this will entail, is necessary to make Germany more resilient to crises in the years ahead. However, the Stability Council also stresses that it is important to keep an eye on debt levels. From its perspective, further structural reforms are therefore *imperative* in the near future, particularly in relation to expenditure.

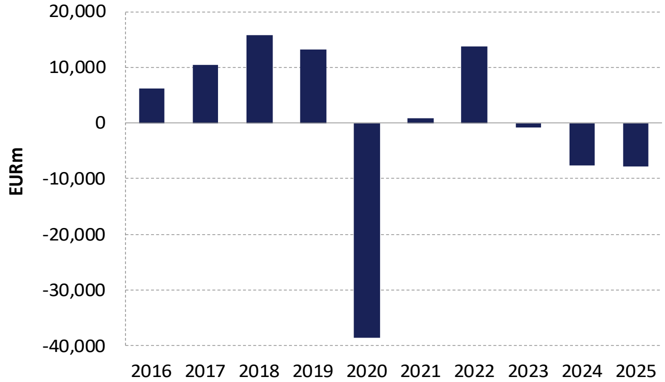
Economic framework conditions

In 2025, the German economy returned to growth again after two consecutive years of recession. According to the Federal Statistical Office, Germany's economic output rose by +0.2% Y/Y, with the modest growth primarily the result of increased consumer spending by private households and the government. Despite higher government investments in the defence sector, however, investment remained weak overall. This resulted in a further decline (-0.5% Y/Y) in gross capital expenditure. Against the backdrop of high interest rates, persistently high energy prices and subdued economic prospects, the economic framework conditions remained challenging overall. Moreover, US tariffs and growing international competition placed the German export sector under strain. At the same time, the labour market cooled, with employment stagnating or even declining in certain areas. All these concurrent developments made the consolidation of public finances more difficult, even though the government deficit did actually reduce slightly compared with the previous year. Nevertheless, in the current year, the Council of Economic Experts expects price-adjusted GDP to rise by +0.5% Y/Y, with growth of +0.8% Y/Y projected for 2027, as detailed in its Spring Report. Compared with the Eurozone, the growth rates in Germany are therefore expected to remain below average in the coming years. In terms of consumer prices, an inflation rate of +3.0% Y/Y is projected, with a further increase of +2.8% Y/Y anticipated in the following year. Downside risks to the German GDP forecast relate in particular to the chances of the Middle East conflict dragging on for longer, with even more severe consequences than previously assumed to boot.

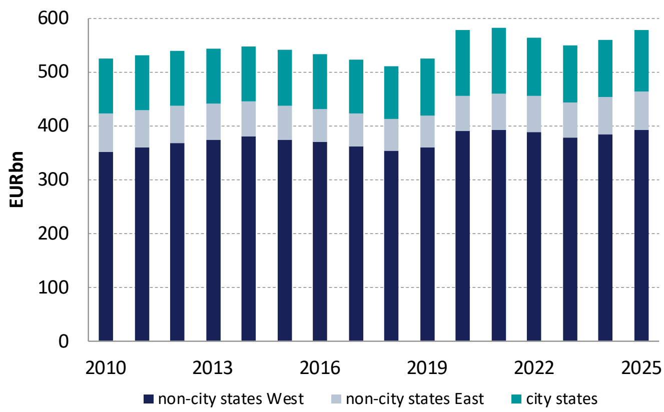
Budget balances of individual Laender



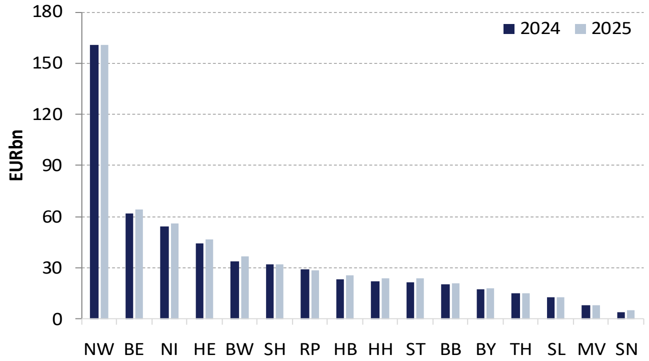
Budget balances of the Laender as a whole



Trend in overall debt level of the Laender



Debt level of individual Laender



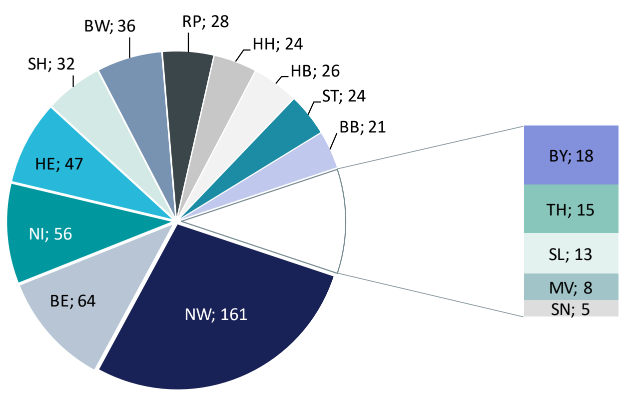
BW = Baden-Wuerttemberg, BY = Bavaria, BE = Berlin, BB = Brandenburg, HB = Bremen, HH = Hamburg, HE = Hesse, MV = Mecklenburg-Western Pomerania, NI = Lower Saxony, NW = North Rhine-Westphalia, RP = Rhineland-Palatinate, SL = Saarland, SN = Saxony, ST = Saxony-Anhalt, SH = Schleswig-Holstein, TH = Thuringia.

Source: German Federal Ministry of Finance, NORD/LB Floor Research

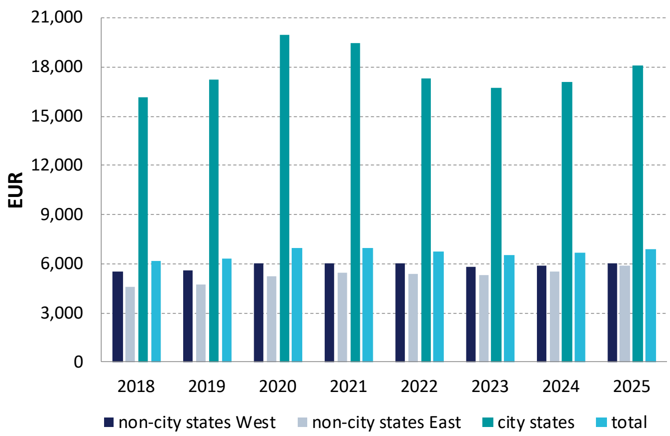
Trend in Laender debt levels – an overview

A look at the trend in Laender debt levels over the past couple of decades reveals three strong increases: the first was at the start of the current millennium (at which point Germany was regarded as the "sick man of Europe"), with the second coming in connection with the global financial crisis in 2008/09. In the wake of the COVID-19 pandemic in 2020, a third and final significant rise in the debt level was recorded in the 21st century. In 2023, the question again arose as to whether Germany could be considered the "sick man of Europe" all over again in view of its stagnant economic development. After a reduction in the debt level was registered in both 2022 and 2023, the Laender debt burden grew in 2024 to EUR 559.6bn. This rose once again in 2025 (+3.3% Y/Y) and at EUR 578.1bn was actually more or less on a par with the value seen during the pandemic. Of the total liabilities, a sum of EUR 464.4bn is attributable to the non-city states, while Berlin, Hamburg and Bremen account for a share of EUR 113.7bn – which roughly equates to a fifth of the total debt level at Laender level. Let us turn our attention to an individual analysis: despite the fact that its liabilities declined by -0.1% to EUR 160.8bn, North Rhine-Westphalia, the most populous German sub-sovereign, once more accounts for the largest share of the overall debt level, at 27.8%. In relative terms, the Free State of Saxony recorded the highest level of new debt at +28.2%, followed by the city states of Bremen (+10.7%) and Hamburg (+9.3%). Compared with 2024, only two sub-sovereigns successfully reduced their debt levels. While NRW reduced its debt burden only marginally (-0.1%), Rhineland-Palatinate was far more successful, posting a much sharper reduction of -2.3%. In 2025, the per capita debt level also rose nationally, reaching a value of EUR 6,926 (+3.4%) in the process. In relation to population, the city states traditionally stand out with hugely above-average debt levels. In the recent past, the national average for per capita debt has remained fairly constant at between EUR 6,000 and EUR 7,000, albeit the trend is rising. Last year, the Free Hanseatic City of Bremen registered by far the highest per capita debt among all German sub-sovereigns, with a debt level of EUR 36,440 (+10.4%), followed by the federal capital Berlin at EUR 17,292 (+3.4%). Meanwhile, per capita debt in Hamburg totalled EUR 12,836, reflecting a rise of +8.9% compared with 2024. Only Rhineland-Palatinate was successful in cutting its relative debt burden versus the prior year (EUR 6,889; -2.1%). In a geographical analysis, East German non-city states present lower debt levels in both absolute and per capita terms than is the case for their West German counterparts.

The Laender and overall debt level (EURbn)



Development of debt per capita



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Source: German Federal Ministry of Finance, NORD/LB Floor Research

Comment

Only a few months after entering into force, the debt brake had to be suspended after the onset of the COVID-19 crisis activated an emergency situation clause. In this context, resolutions were prepared in NRW, Bavaria, Baden-Wuerttemberg, Lower Saxony and Mecklenburg-Western Pomerania, among other Laender, to adopt a second supplementary budget in 2020, following the example of the Bund. Nevertheless, the Laender had to some extent already demonstrated braking power in the past, with the result that certain sub-sovereigns had already started to repay their debts in advance, helping to curb the rise in the Laender debt level in the process. This was also supported by the economic conditions, which have clearly improved after a difficult start to the current millennium. Ensuring the sustainability of public finances, as is the overarching aim of the debt brake, is fundamentally to be regarded as a positive, especially during the kind of stress situations by which we are currently confronted. However, up until the reforms adopted in March 2025, criticism had been directed at the fact that, due to the ban on net borrowing, the leeway in monetary policy operations, for example regarding investments, was (severely) restricted for the Laender. The ECB, for example, repeatedly called for higher investments from public budgets before the economic stimulus packages in the context of the COVID-19 pandemic. As a result of the reformed debt brake adopted in March 2025, sub-sovereigns are now permitted to incur annual new debt amounting to 0.35% of their economic output. Previously, this regulation applied only at the level of the Bund and, in our view, is likely to have a decisive impact on the future financial framework of the Laender. Nevertheless, the Laender continue to benefit from strong institutional foundations and a high-quality credit profile. The solvency of the Bund and its sub-sovereigns is likely to remain the best among European issuers. Even in the context of the reformed debt brake, this status is unlikely to be called into question in any meaningful way – despite the fact that debt levels are already starting to creep up again in the wake of the relaxed debt rules.

Challenges for Laender finances
The Stability Council

The Stability Council – monitoring body for the federal government and Laender

The Stability Council was created in 2010 to meet the challenge of complying with the debt brake and to prevent budgetary crises, as had occurred in Bremen and Saarland in 1992. It is a joint body operated by the federal government and the Laender. The establishment of the Stability Council can be traced back to Federalism Reform II (Föderalismusreform II), which regulates its existence through Art. 109a of the Basic Law. The purpose of the Stability Council is to regularly monitor the budgets of the Bund and Laender, with the aim of identifying and/or preventing any impending budgetary crises ahead of time and ensuring compliance with debt limits. As a result, the Stability Council is an important body for examining the budgets of both Bund and Laender, particularly in relation to compliance with debt limits. The body is managed by the federal government. Its members are the Federal Minister of Finance, the finance ministers of the Laender and the Federal Minister for Economic Affairs and Energy. The Stability Council meets twice a year (usually in June and December). The first session was held on 28 April 2010. Since the beginning of 2020, its remit has included monitoring compliance with the debt brake, which is based on European requirements and procedures. In recent years, the Bund and Laender have often only been able to comply with the debt brake by invoking the declared emergency situations resulting from the COVID-19 pandemic and the energy crisis. At its 34th meeting, the Stability Council aligned its budgetary monitoring processes with the borrowing options established in March 2025 for the first time.

The "Aufbau Ost" project

To offset disproportionately low municipal financial strength and ease infrastructural backlog needs, the Laender of Berlin, Brandenburg, Mecklenburg-Western Pomerania, Saxony and Saxony-Anhalt received annual payments from 2005 to 2019 as part of the Solidarity Pact II. The aim here was to empower these Laender to counteract their special charges. The funds earmarked for this purpose came to EUR 156.7bn as planned and were split into two separate "baskets". Basket1 contained special-need federal supplementary grants (SoBEZ) amounting to EUR 105.3bn, which were put directly towards improving financial strength and infrastructure. Basket2 totalled EUR 51.4bn and could be invested in broader policy fields, including the economy, promotion of innovation, research and development, education, transport, housing and urban development, EU structural funds, the elimination of ecological contaminations/site restoration and sport. Regarding progress made in the relevant areas, a final report was presented for the last time on 15 September 2020 and discussed in the statement covering the 22nd meeting of the Stability Council. The East German Laender bore responsibility for ensuring that the funds received were used for the prescribed purposes. In order to verify this, three criteria were defined in collaboration with the Bund, via which the appropriate use of funds was to be achieved with the aim of then closing the gap between the Laender. The first criterion focused on the SoBEZ share intended to be used to finance infrastructure investments and to offset disproportionately low financial strength. The second criterion related to the SoBEZ share intended to be used to rectify the situation regarding infrastructure investments self-financed to a disproportionate extent compared with the reference Laender. The third criterion concerned closing the infrastructure gap through disproportionate total investment expenditure compared with the reference Laender. The sub-sovereigns of Lower Saxony, Rhineland-Palatinate, Saarland and Schleswig-Holstein were taken as a reference for the East German non-city states, while Hamburg was selected as the reference point for Berlin.

Balance sheet data for Solidarity Pact II

As planned, the Solidarity Pact II programme expired at the end of 2019. When the programme was first launched, a volume of EUR 105.3bn was planned for Basket1. Thereafter, payments were supposed to fall over time so that a final instalment of EUR 2.1bn would be paid in 2019 before the programme came to an end. Notably, the payments were not evenly distributed among the Laender: Saxony received the largest share of the cumulative payments, at EUR 26.1bn (27%), followed by Berlin (EUR 19.0bn; 20%) and Saxony-Anhalt (EUR 15.7bn; 16.6%). After this trio came Brandenburg with EUR 14.3bn (15.1%) and Mecklenburg-Western Pomerania with EUR 10.5bn (11.1%). While the payments from Basket1 came in on budget, the payments of EUR 56.3bn made under Basket2 were well above the original target value of EUR 51.4bn. Since the volume of payments from Basket2 ended up nearly 10% over the original budget, the total volume of grants under the programme as a whole amounted to EUR 161.6bn. The promotion of innovation as well as research and development accounted for the largest shares of this additional expenditure, followed by the categories of economy and housing and urban development. With this support, the federal government laid the foundations for overcoming infrastructure deficits caused by the former division of Germany, increasing the quality of life for German citizens and improving the country's economic situation. However, the Laender have not simply been left to their own devices after Solidarity Pact II expired. In this context, grants continue to be made via the reformed federal financial equalisation system as well as from the national German support system for structurally weak regions.

Restructuring programmes

If a critical budgetary situation is identified in the case of either the federal government or one of the Laender, the Stability Council agrees restructuring programmes with the impacted political authority. The implementation of the restructuring programme aims to ensure that the analysis system of the ongoing budget monitoring for the affected body, i.e. federal government or regional government, no longer shows any anomalies regarding an imminent budget emergency in the foreseeable future. The duration of the restructuring programme is agreed on a case-by-case basis but extends over at least two years. It contains guidelines for the targeted reduction in annual new debt as well as other consolidation measures. If the Bund or federal state in question deviates from the guidelines or fails to present satisfactory proposals for restructuring concepts, a request is made for increased budgetary consolidation. If an impending budgetary crisis is still identified even after complete implementation of the restructuring measures, an agreement is reached on a further consolidation programme. Impending budgetary crises were identified for the Laender of Berlin, Bremen, Saarland and Schleswig-Holstein at the second meeting held on 15 October 2010. As a result, restructuring programmes were agreed, for which compliance and progress was reviewed at each half-yearly meeting of the Stability Council. The supervisory body also monitored compliance with the requirements incumbent on the affected Laender for them to receive consolidation aid up to 2019. At the end of 2016, it was announced that Berlin and Schleswig-Holstein had completed their respective recovery plans. In contrast, Bremen and Saarland were unable to achieve the requirements placed upon them regarding the requisite key metric values in this period. Moreover, since 2020 Bremen and Saarland have each been receiving restructuring aid of EUR 400m per year. Although the Stability Council concluded based on the Evaluation and the latest Stability Report that no impending budgetary crisis could be ascertained at present in Saarland, the latest metrics for Bremen continue to point to the existence of an impending budgetary crisis (cf. 34th Meeting). In addition, current data indicated that the agreed restructuring programme will fail in its objective to consolidate Bremen's budget, particularly given the city state's plan to make use of the newly introduced structural borrowing facility. The Evaluation Committee will, together with Bremen, examine possible adjustments to the restructuring programme in 2026.

Monitoring of four key budget indicators over two assessment periods

The Stability Council uses four key indicators to assess whether a budgetary crisis is impending. The development of these indicators is monitored in the current budgetary situation and financial planning. The current situation includes the actual figures for the last two budget years as well as the target figure for the current year. In the second assessment period, the key financial indicators in the budgetary and financial planning for subsequent years are analysed.

Structural financial deficit per capita

The structural financial deficit is defined by the Stability Council as the financial deficit adjusted to allow for financial transactions and economic influences. It is calculated in EUR per inhabitant. If the threshold value is not reached, this is reported as an anomaly (non-compliance). For the term of the current budgetary situation of the Laender, the critical value is calculated as the Laender average minus EUR 200 per inhabitant, whereas for financial planning, the threshold value defined for the current financial year is used as the tolerance threshold. In order to factor in economic slowdowns, a surcharge of EUR 50 per inhabitant is generally included.

Credit financing ratio

The Stability Council also examines the credit financing ratio, which reflects the relation of new debt to adjusted expenditure. For the current budgetary situation, the body defines a threshold value comprising the Laender average plus three percentage points. In the financial planning, an unacceptable deviation from the critical value is identified, if the threshold value for the current budgetary year is exceeded by two percentage points.

Interest-tax ratio

As a third key indicator, the Stability Council analyses the interest-tax ratio, defined as the ratio of interest expenditure to tax revenue. In the case of tax revenues, an adjustment is made for payment flows related to the financial equalisation among the Laender, general purpose federal supplementary grants, promotional levies and vehicle tax compensation. The limit for this key indicator during the period of the current budgetary situation is also based on a relative comparison of the Laender. The critical value for non-city states is defined as 140% (150% for the city states) of the Laender average. For the duration of the financial planning, the tolerance value of the current budgetary year plus one percentage point applies as the limit.

Debt per capita

The last key indicator reflects the debt level on the credit market as of 31 December of each year in relation to the number of inhabitants. For the current budgetary situation, a limit violation is determined in cases where the key indicator exceeds 130% of the Laender average for non-city states (220% in the case of city states). For the duration of the financial planning, a limit amounting to the threshold value for the current budgetary year plus EUR 100 per inhabitant per year is used as a basis. A key indicator is generally regarded as non-compliant for a specific period if at least two critical values have been exceeded. By contrast, a time period is regarded as non-compliant, if at least three out of four key indicators exceed their specified limits. If a time period is identified as non-compliant, an evaluation of the authority in question is carried out by the Stability Council.

Monitoring system of the Stability Council

	Actual		Target	Limit violations	Financial planning				Limit violations
	2023	2024	2025		2026	2027	2028	2029	
Financial balance in EUR per capita									
Threshold value	-155	-181	-429	**Yes (3)**	-479	-479	-479	-479	**Yes (2)**
Laender average	45	19	-229		-293	-177	-73	7	
Credit financing ratio in %									
Threshold value	1.5	2.3	4.7	**Yes (1)**	6.7	6.7	6.7	6.7	**Yes (2)**
Laender average	-1.5	-0.7	1.7		3.6	2.7	1.7	0.6	
Interest/tax ratio %									
Threshold value (non-city states)	3.5	3.5	4.4	**Yes (5)**	5.4	5.4	5.4	5.4	**Yes (2)**
Threshold value (city states)	3.7	3.8	4.7		5.7	5.7	5.7	5.7	
Laender average	2.7	2.6	2.7		3.6	3.9	4.2	4.6	
Total debt in EUR per capita									
Threshold value (non-city states)	9,698	9,899	10,068	**Yes (5)**	10,168	10,268	10,368	10,468	**Yes (5)**
Threshold value (city states)	16,411	16,752	17,038		17,138	17,238	17,338	17,438	
Laender average	7,460	7,614	7,744		10,854	11,167	11,427	12,782	
Violations in the period		**Yes (1)**					**Yes (1)**		

Source: Stability Council, NORD/LB Floor Research

Stability Council offers many advantages…

The transparent method of working and presentation of the results enables the situation regarding all Laender budgets to be easily assessed. The credit financing ratio and interest-tax ratio provide two additional indicators for the Stability Council. They were also used by the Federal Constitutional Court when assessing the budgetary situation of Bremen and Saarland in 1992 and Berlin in 2002. The mechanistic definition of critical values avoids any political interpretation, providing a clear advantage in the process. The agreement of recovery plans and the transparent monitoring of compliance with them should also be interpreted as positive aspects, since this applies constant pressure to the sub-sovereigns in question. Aligning the threshold values to the Laender average also enables special circumstances such as economic downturns to be taken into account dynamically. The review of financial planning allows negative trends or even budgetary crises to be identified at an early stage.

...and some disadvantages

However, in contrast, it should be noted that the financial planning of a federal state does not constitute any definitive or specific plan and consequently there is no binding obligation in terms of compliance. As such, the informative value of the figures for financial planning tends to be on the low side. Aligning the threshold value to the Laender average entails the risk that negative trends or potential budgetary crises are not identified, if a majority of the sub-sovereigns generate poorer budget figures and the federal state average consequently falls. We also consider the choice of indicators to be worthy of discussion. Although the four indicators provide an insight into Laender budgets, major structural budgetary problems such as significantly above-average personnel expenses or pension commitments, for example, are not registered. The definition of the critical values and the calculation of key indicators are also subject to (adjustment) methods that are not especially transparent. In our view, however, the biggest disadvantage of the Stability Council in its current legal framework is the absence of a mechanism for imposing sanctions. For example, if a federal state does not comply with the restructuring plans, it is only requested to comply with them. In extreme cases, a new restructuring programme is defined. However, no effective sanctions are in place, such as cutting BEZ grants.

Comment

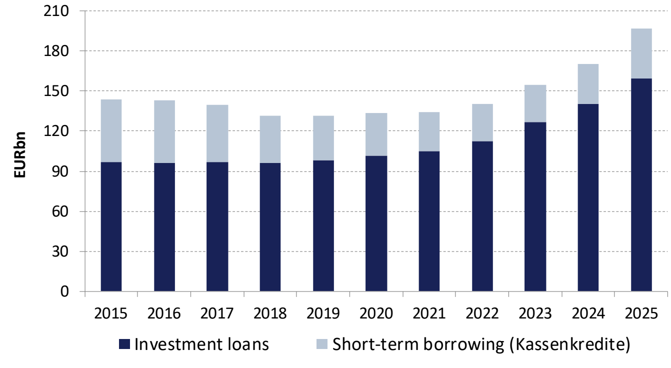
Despite a handful of disadvantages, we do believe that the Stability Council is a valuable committee for monitoring budgets at the level of both Bund and Laender. Due to the introduction of the debt brake, which we see as a major challenge especially for financially weaker Laender, we regard the supervisory body as a suitable method of budget control. From an investor viewpoint, we regard the Stability Council and especially its half-yearly (as a general rule) reports as important, since they provide up-to-date and transparent information on the budgetary situation of all Laender. While from our perspective it remains a significant disadvantage that the Stability Council still lacks serious mechanisms for imposing sanctions, this did not pose any major problems given the positive budget performance up to the end of 2019. In recent times, the budgetary situation of the Laender has deteriorated against the backdrop of weak economic framework conditions and a significant relaxation of self-imposed financial guidelines in the wake of the reformed debt brake. In this context, we are of the view that the Stability Council needs effective leverage in order to ensure compliance with national and European fiscal rules. In the context of both the Bund and many Laender having often only complied with debt brake requirements in recent years by invoking emergency clauses in response to the COVID-19 pandemic and the energy crisis, this feels all the more relevant. As such, in our view the importance of effective budgetary oversight has increased with the introduction of greater fiscal flexibility. We believe the need, underlined by the Stability Council itself, to review and adjust the monitoring framework at the disposal of the Stability Council is therefore all the more pressing. In fact, this is essential to ensure that, in the future, monitoring of the debt brake also guarantees compliance with European fiscal rules at the same time. After all, the current form of debt brake monitoring does not take into account the net primary expenditure metric, which constitutes a key operational control parameter for the EU since last year.

Challenges for Laender finances
Municipal budget situation as stress factor

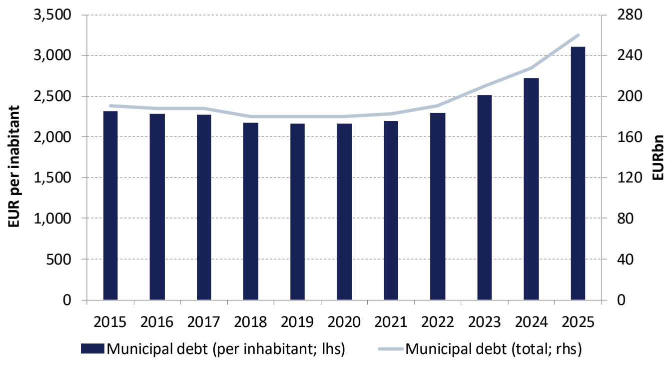
Municipalities post another record deficit in 2025

Having generated surpluses between 2011 and 2022, German municipalities and municipal associations recorded a funding deficit for the first time again in 2023, which amounted to EUR -6.6bn (core and extra budgets). According to official data from the Federal Statistical Office, the deficit last year amounted to EUR -31.9bn, which not only outstrips the previous record of EUR -24.8bn in 2024 but also constitutes the highest municipal financing deficit since German reunification in 1990. Adjusted expenses in the core budget again rose sharply year on year in 2025 by +5.6% to EUR 423.3bn. The rise in personnel expenses was the primary driving force on the expenditure side, with an above-average increase of +6.8% Y/Y to EUR 113.4bn recorded here. The reasons for this development included pay rises for federal and local government employees in April 2025, as well as workforce expansion. Municipal budgets were additionally burdened by an increase in social expenses amounting to +5.9% Y/Y, which came to EUR 90bn last year. At +3.5% Y/Y, expenditure on investments in tangible assets grew moderately relative to previous years and stood at EUR 53.9bn (2023: +11.9% Y/Y; 2024: +12.5% Y/Y). At EUR 391.4bn, adjusted revenues of municipal budgets in 2025 were up by +4.1% on the previous year. However, this was not sufficient to offset the increase in expenditures. In this context, overall tax receipts rose somewhat more sharply again last year, increasing by +3.4% Y/Y, while local business tax revenues, which are vital to the municipalities, grew by +1.0% Y/Y. Regarding the municipal debt level, 2025 saw the seventh increase in succession: liabilities rose by +14.0% Y/Y to EUR 259.6bn overall, which accounted for 66.3% of adjusted revenues. This value was therefore well below the average debt level of the Laender, which amounts to 109.3% of adjusted revenues. The sharpest percentage increases in debt levels versus 2024 were recorded by the municipalities and municipal associations in Baden-Wuerttemberg (+22.8%), Lower Saxony (+16.9%) and Bavaria (+15.3%). After Rhineland-Palatinate and Thuringia each recorded a decline in debt in the previous year, none of the German Laender was able to replicate this in 2025.

Debt level in the non-public sector



Municipal debt level



Source: Federal Statistical Office, NORD/LB Floor Research

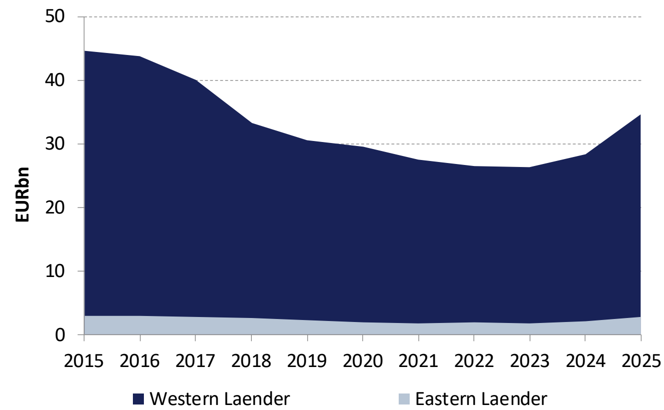
Significant rise in Laender investment loan volumes

Investment loans traditionally account for a significant portion of municipal debt. These are backed by direct assets, whereby in an ideal world the interest expenses are covered by the return on investment. In 2025, investment loans rose by +13.8% Y/Y to EUR 159.6bn (2024: EUR 140.2bn). The respective shares of investment loans in total municipal debt differed significantly between the individual Laender. At 78.6%, the highest share of investment loans in overall municipal debt is attributable to municipalities in Bavaria, while Baden-Wuerttemberg has the lowest value in this regard at 48.7%. In our view, a further positive aspect is that the share of investment loans in total debt has risen in seven of 13 non-city states, even if this applied to a total of nine Laender last year. The sharpest growth was recorded by Saarland, where the share increased by +4.4 percentage points. Meanwhile, the Laender average amounted to 61.5%.

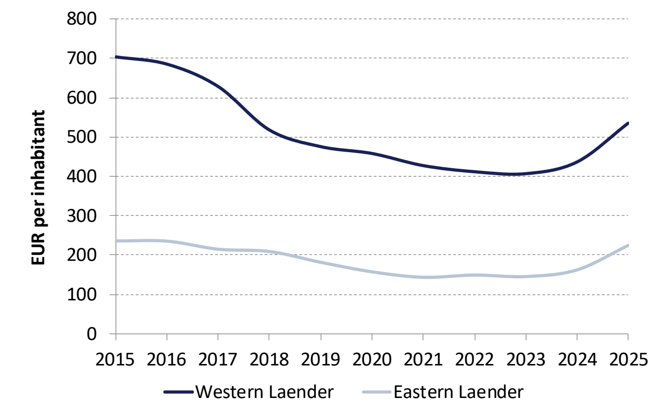
Kassenkredite debt up for the second successive year

Kassenkredite were originally intended to cover short-term cash flow bottlenecks that can arise from timing mismatches in revenue and expenditure. For instance, if higher personnel costs are incurred at the start of a calendar year, while regular tax revenue has not yet been received, Kassenkredite can be used to bridge this time gap. Since the turn of the millennium, however, the volume of Kassenkredite has increased sevenfold across Germany. At the peak at the end of 2014, for example, around 26% or EUR 48bn of total municipal debt was attributable to Kassenkredite. We can therefore say that these loans were not (exclusively) used for bridging purposes. Back in 1995, this figure came in at just 3.1% (EUR 3.8bn). A higher proportion of Kassenkredite liabilities increases exposure to changes in the interest rate environment. As a result, we take a negative view of a high level of Kassenkredite debt. Last year, the volume of Kassenkredite debt attributable to municipalities and municipal associations amounted to EUR 37.4bn (2024: EUR 30.3bn), corresponding to 14.4% of total debt (2024: 13.3%). Following the increase in 2024, this is the second successive rise in absolute terms. Prior to this, there had been nine consecutive years in which Kassenkredite holdings were reduced. A geographical analysis also reveals that the West German Laender have significantly higher Kassenkredite debts than their East German counterparts. North Rhine-Westphalia, Germany's most populous federal state, is primarily responsible for this situation, accounting for Kassenkredite in the amount of EUR 24.0bn alone in 2025.

Municipal cash boosting loans (absolute)



Municipal cash boosting loans



Source: Federal Statistical Office, NORD/LB Floor Research

2025: Kassenkredite volumes rise in 12 out of 13 non-city states
A breakdown by federal state of the Kassenkredite burden on municipalities and municipal associations reveals a highly varied picture: the share of Kassenkredite in the total debt level of municipalities ranges from 1.3% in Thuringia to 30.6% in Saxony-Anhalt. In eight Laender, the share was below 10% in the previous year. In comparison with last year, only one sub-sovereign was able to reduce its Kassenkredite debt level (Saarland: -19.7% Y/Y). In 2024, this group consisted of four non-city states. The extent of the increase in Kassenkredite also varied across the individual sub-sovereigns to a significant extent. The strongest percentage increase in Kassenkredite debt compared with 2024 was recorded by the municipalities and municipal associations in Brandenburg (+180.0%), followed by Saxony (+137.7%) and Hesse (+100.4%). Although these are exceptionally high values, it should be noted that the absolute level of Kassenkredite liabilities remains below EUR 1bn in each of these three Laender. Overall, the share of Kassenkredite in total municipal debt stood at 14.4% last year (2024: 13.3%). Due to the significant rise in the absolute level (EUR +7.1bn) during the reporting year, the relative share in the aggregated municipal debt level also increased again for the first time since 2013, having consistently declined in the interim period.

Bundestag green lights temporary relief package for Laender and municipalities
To support the financial situation of the Laender and their municipalities, the German federal government set up a temporary relief fund in April 2026 in the form of the Act for the Relief of the Federal States and Municipalities (Länder- und Kommunalentlastungsgesetz, LKEG). This package, which amounts to EUR 4bn, also entails amendments to the Fiscal Equalisation Act (Finanzausgleichsgesetz, FAG). For example, financially strong Laender ("donors") will benefit from relief totalling EUR 400m per annum between 2026 and 2029 through a reduction in their respective VAT revenue deductions within the framework of the Financial Power Equalisation (Finanzkraftausgleich; FKA). Moreover, the draft legislation provides for the temporary introduction of new special-needs federal supplementary grants (SoBEZ) in the amount of EUR 250m per annum with the aim of assisting financially weak Laender in their efforts to service legacy municipal debts, which are predominantly attributable to an excess of Kassenkredite at the level of the municipalities. As outlined previously, numerous German municipalities are burdened with substantial liquidity loan holdings, the interest and repayment costs of which further constrain already limited budgetary flexibility. In addition, a significant portion of these loans was not used in line with their originally intended purpose, i.e. to ensure liquidity during the financial year, but rather to finance budget deficits on a long-term basis. Given that many of the affected municipalities have failed (or only partially succeeded) in reducing their liquidity loan holdings in the past, this federal funding is now intended to help the Laender comply with their constitutional financial responsibilities toward their municipalities and contribute to safeguarding the municipalities' ability to act. The SoBEZ funds will be distributed among the Laender based on the volume of municipal debt outstanding as at 31 December 2024. To provide financial support to the East German Laender for pension payments related to the pension system in place in the former GDR, the LKEG also stipulates that the share to be borne by these Laender will be reduced from 50% to 40% over the coming years, resulting in annual relief to the tune of EUR 350m. However, for the act to become law, the approval of the Bundesrat – the Federal Council, a legislative body that represents the 16 Laender at national level – is still required, whereas it has already passed through the Bundestag (federal parliament).

Laender support local authorities with bailout funds

In recent years, several German Laender have implemented consolidation aid or debt relief funds with the aim of supporting municipalities. With reference to the self-governance of municipalities, these programmes are usually voluntary and highly varied in their structure. In general, these programmes were set up in response to the challenging municipal budget situation: in 2025, the municipal financing deficit of core budgets amounted to EUR -29.4bn overall and was therefore plunged further into negative territory compared with the previous year (2024: EUR -24.3bn). Meanwhile, the rising trend on the expenditure side was sustained too (2025: EUR 423.3bn; 2024: EUR 400.9bn; 2023: EUR 356.0bn). While this circumstance may suggest de facto insolvency, it is the case that no insolvency proceedings can be initiated against municipalities pursuant to §12 of the Insolvency Code. Nevertheless, the fact that the Laender support municipalities through various debt relief programmes can be justified on several grounds, including the need to determine, in the event of a payment default, whether the respective federal state followed the *Konnexitätsprinzip*. It would then be necessary to verify whether the federal state had made the necessary funding available to the municipality for the tasks transferred to it. The Laender constitutions also include corresponding articles that require the respective federal state to comply with a maintenance obligation, i.e. to ensure financial backing for performance of the tasks (e.g. Art. 58 of the Constitution of Lower Saxony).

Bailout funds reveal significant differences

The consolidation aid and debt relief funds address this issue proactively and, depending on the sub-sovereign, reveal some significant differences. In most cases, the repayment of loans or direct deficit coverage is the focal point. The corresponding cash inflows are often linked to the financial equalisation at municipal level. In 2012, for example, Rhineland-Palatinate set up a municipal debt relief fund totalling EUR 3.8bn, in which more than 800 local authorities currently participate. The objective of the fund is to repay two-thirds of the municipal cash boosting loans (Kassenverstärkungskredite) that were taken out up to 2009. Given that the programme ultimately did not significantly relieve municipal finances in Rhineland-Palatinate, another bailout fund was announced in September 2022 in the form of the “Partnership for Municipal Debt Relief in Rhineland-Palatinate” (PEK-RP). A sum of EUR 3.0bn was made available in the state budget for this purpose. The plan envisages debt relief across three stages: up to the basic amount of EUR 500 per inhabitant, Kassenkredite loans remain with the respective municipality; from EUR 500 per inhabitant up to a maximum amount of EUR 2,500 per inhabitant, half of the liquidity loans are transferred to Rhineland-Palatinate; above this maximum amount, the federal state assumes the liquidity loans in full. For districts, these amounts are divided by three (two thirds of the full amount for independent municipalities). Mecklenburg-Western Pomerania has adopted a different approach: in this case, a consolidation fund was set up as long ago as 2012 to provide financial assistance for unavoidable deficits. A debt relief fund was subsequently added to the mix in 2018. Both programmes, which are managed as special funds, ran in parallel until the consolidation fund expired in 2019. In contrast, Hesse set up a programme known as “Hessenkasse”, the objective of which is to take over the Kassenkredite of municipalities and to arrange debt relief through the federal state’s promotional bank (WIBank). Overall, a repayment amount of EUR 4.9bn was achieved, which equated to roughly 95% of the municipal Kassenkredite debt level in 2020. A common feature of all programmes is that both consolidation plans and, in some cases, the merging of existing municipalities are agreed upon with the aim of stabilising budgets on a sustainable basis.

Clear differences in programme ratios

There are also differences in the scope of the programmes in relation to the total debt of the municipalities (at the time that the programmes were first launched in each case). The Hessenkasse programme set up in 2018, which envisages total debt relief for municipal Kassenkredite, whereby the municipalities in Hesse make a repayment contribution of EUR 25 per inhabitant per year, leads the way in this regard. At some distance behind follows the debt relief programme implemented in Rhineland-Palatinate: a fund in the amount of EUR 3.0bn was established here, whereby 50% of the municipal Kassenkredite debt was to be assumed by the federal state itself. The first debt relief fund was designed to reduce municipal debt (from 2012) by around 28% up to 2026. The scope of the programmes in Saxony-Anhalt (16.8%), Hesse (first programme: 12.8%), Schleswig-Holstein (10.7%) and Lower Saxony (7.8%) is far smaller. However, the situation in Saarland is remarkable: although Saarland regularly occupies one of the top spots (in a negative sense) in a comparison of the Laender for per capita municipal debt, the original programme volume in Saarland actually came to just 4.3%. The Saarland Pact, which was agreed at the end of 2019 before coming into force at the start of 2020, is designed to counteract this situation. An annual amount of EUR 30m until 2065 should gradually remove the burden of nearly half the outstanding Kassenkredite from the municipalities, while an extra EUR 20m is set to be put towards municipal investment projects. Although municipalities in NRW have the highest absolute and per capita debt levels, the programme volume originally came to just 9.9%. In response to this, the state parliament (Landtag) adopted the Legacy Debt Relief Act (Altschuldenentlastungsgesetz) in July 2025 to provide partial debt relief for municipalities, on the basis of which NRW assumed 50% of the excess liquidity loans amounting to EUR 8.9bn. In Brandenburg (5.9%) and Mecklenburg-Western Pomerania (5.4% or 9.5% incl. special aid), the absolute programme volumes are also below average, albeit the low per capita debt level is taken into consideration here as well.

Overview of consolidation aid programmes (excl. COVID-19 bailout funds)

	Term	Volume (EURm)	Comment	Repayment of: Kassenkredite	Repayment of: Credit market liabilities	Interest relief	Deficit coverage
BY	2007-2012	10	Annual				X
	2012 - present	140	Annual	X	X	X	X
BB	2020-2022	40	Annual				X
HE	2013-2019	3,200	Terminated with retroactive effect as at 31 December 2019 due to COVID-19	X	X	X	
	Reference date: 2018	4,900	One-off; less repayment contributions	X			
MV	2018-2020	25*	Annual; plus one-off sum of EUR 100m				X
NI	2012-2041	70**	Annual	X		X	
NW	2011-2020	5,850**	Overall			X	X
	2025 - present	8,900	Overall		X		
RP	2012-2026	255	Annual	X		X	
	Reference date: 2023	3,000	One-off	X			
SL	2013-2024	17**	Annual	X	X		
	2020-2065	50	Overall				
ST	2011-2027	636	Overall	X	X	X	
	2013-2025	400	Overall	X			
SH	2012-2018	60	Annual				X

* Excluding special aid for budgetary consolidation and debt reduction in the amount of EUR 40m per annum in the period 2014-2017 outside the Financial Equalisation Act Mecklenburg-Western Pomerania (FAG-MV).
** Figures include participation of local authorities.
*** Gradually lower since 2020.
Source: Relevant Bundesland legislation, NORD/LB Floor Research

Bailout packages in the context of COVID-19

Municipalities were also affected by the COVID-19 crisis. While the economic impacts of the pandemic years from 2020 to 2022 continue to gradually fade away, municipalities have been exposed to new budgetary strains and, in part, collapsing revenues. Measured against expectations prior to the onset of COVID-19, the German Association of Cities and Municipalities estimates that municipalities have had to cope with a tax shortfall of around EUR 20bn for the years 2021 to 2024. Since allocations to municipalities are also derived from tax revenues, these funds were therefore significantly lower as well. For this reason, it was already clear by March 2020 that many municipalities would have to contend with negative consequences arising from the COVID-19 crisis over the long term. The Laender reacted by offering short-term financial assistance, which was subsequently followed by bailout and rescue packages. For the most part, these were designed to supplement the economic measures implemented by the federal government, ultimately doubling the financial relief provided to the municipalities. Each federal state has supported its municipalities, in part with further relief measures. While some sub-sovereigns such as Mecklenburg-Western Pomerania initially pledged financial assistance only for 2020/21, others went above and beyond this: for example, Rhineland-Palatinate and Hesse opted to guarantee support through 2022 and 2023 respectively. The aid packages often included an element to compensate for the loss of income from local public transport as well.

Comment

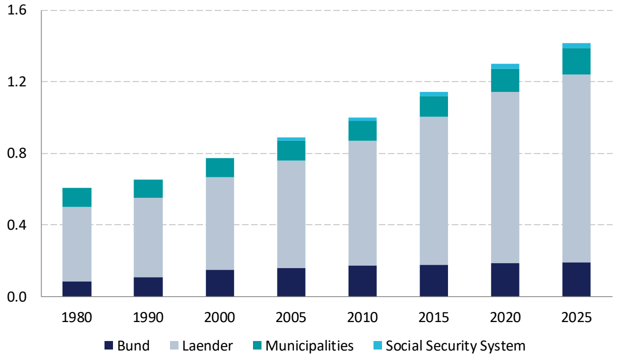
We regard the performance of municipal finances as one of the major challenges for Laender finances. In our view, a significantly more challenging fiscal position at municipal level indirectly impacts the budgetary situation of the respective Laender, the foundations of which have been shaken in recent years. From our perspective, the fact that numerous sub-sovereigns have sought to counteract this situation with defined programmes can only be evaluated as a definite positive. However, there are some negative aspects to highlight in terms of the individual configuration of the municipal programmes at Laender level. In Rhineland-Palatinate, for example, we believe that the programme volume in relation to municipal debt is appropriate, while we would take a more critical view in the case of Saarland. The programme volume here is much lower in relation to the municipal debt level of other German Laender, although in this regard, the newly implemented Saarland Pact could provide an element of support to some extent. The Bund's most recent initiative aimed at easing the burden on Laender and municipalities should also help the situation, although ultimately it is nothing more than a drop in the ocean. Against the backdrop of a sharp rise in interest charges and sustained, mounting expenditure pressure, reflected not least in another record deficit for 2025, we take the view that the positive trend in municipal revenues seen over recent years is rather unlikely to help stabilise the budgetary situation of municipalities moving forward. In addition, the lowering of the income tax rate implemented by the Bund to mitigate "fiscal drag", the effect of which became noticeable starting in 2024, is likely to impair revenue growth in the future. On the expenditure side, however, it is expected that the public sector collective bargaining agreement reached in April 2025 will exert additional pressure. While the programmes presented by the Laender and the (temporary) relief package from the Bund are commendable initiatives, from our point of view they are geared far too strongly towards the short term to properly eliminate structural deficits. In this context, municipalities will not have any additional scope to assume new responsibilities for the foreseeable future, although there is an urgent need for them to address transformation challenges in their local area. Looking to the future, there are still a number of crucial questions that remain unresolved. In this sense, it can be expected that municipal debt levels will continue to rise in the near term and that some municipalities may start to encounter financial difficulties.

Challenges for Laender finances
Pension obligations as a strain on Laender finances

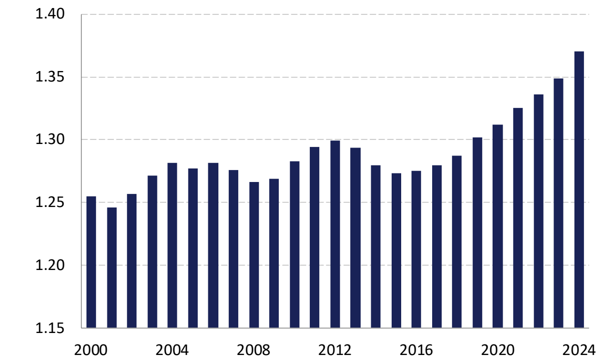
Pension obligations represent an increasing challenge for the German Laender
In view of demographic change and longer life expectancy, pension expenditure is an increasingly prominent element of the budgetary planning at Laender level. In contrast to the pay-as-you-go-financed pension system, which applies in the case of salaried employees, pension expenditure for government employees forms part of personnel costs and is paid from the ongoing budget. In this context, the situation can be described as more than tight across all levels: according to the 8th Pension Report of the German federal government, pension expenditures in the federal sector are expected to increase from EUR 19.8bn in 2025 to EUR 30.6bn by 2060, which would entail considerable strains on the federal budget. The main reasons for this are increasing life expectancy, the growing proportion of the population in retirement and steadily rising average pension payments. It is only since 1999 that the federal government and the Laender started to create pension reserves as stipulated in §14a(1) of the Federal Civil Service Remuneration Act (BBesG). As part of a process starting in 2017, these reserves are now being dissolved (in line with §7 of the Pension Reserves Act [VersRücklG]) across a time frame of 15 years to manage the highest expected level of charges (commonly referred to as the “pension avalanche”). These reserves may differ both in terms of the types of investments held and in their reserve policies. For example, some Laender have been making contributions to pension reserves since 2003, while others use their pension funds to finance their own budgetary expenditures. While we consider these to be examples of a lack of pension provision, or a form of precaution that is only sustainable to a limited extent, other Laender rely on the additional creation of reserves through the federal state’s own pension or retirement funds, extending above and beyond the reserves required by law.

Number of retired civil servants, judges and professional soldiers on the rise
The number of pension beneficiaries, i.e. retired civil servants, judges and professional soldiers, as well as their surviving dependants, has risen steadily in recent years. One reason for this is the expansion in the police force as well as staffing increases in universities and schools that began in the 1960s. During the 1970s and 1980s in particular, many teachers were appointed as civil servants in response to rising pupil numbers and are now gradually entering retirement. Consequently, the number of pension beneficiaries stood at around 1.8 million at the start of 2025 (+0.8% Y/Y), which is roughly one and a half times the figure for 1995. By far the largest share (58%) is attributable to pension beneficiaries at the Laender level, while the federal government accounts for 32%.

Number of pension beneficiaries (millions)



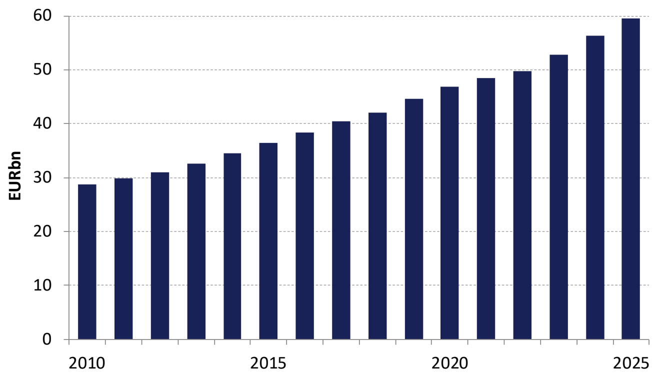
Number of civil servants at Laender level (millions)



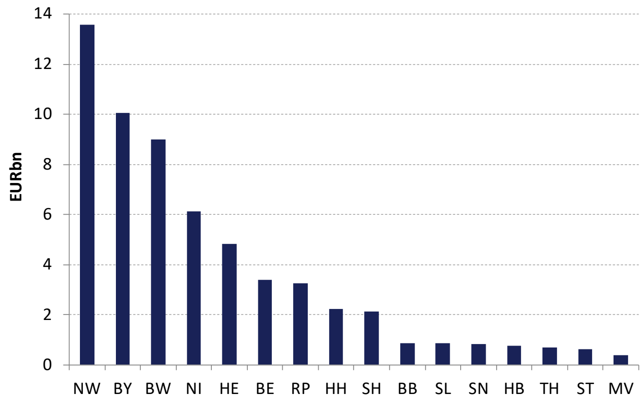
Source: Federal Statistical Office, NORD/LB Floor Research

Pension and allowance expenses represent major items of expenditure for many Laender
When compared with 2016, the aggregated pension and allowance expenses across all Laender grew by +55% up to 2025, with an increase of +5.6% year on year posted in the 2025 budget year alone (previous year: +6.9% Y/Y). In total, the Laender spent a cumulative amount of EUR 59.6bn on this budget item in 2025 (2024: EUR 56.4bn). This corresponded to approx. 11.1% of total expenditure. Accordingly, pension payments accounted for the same proportion of Laender budgets as investment expenditures. This budgetary strain is likely to continue to rise in the future, with the majority of the baby boomers born between 1955 and 1969 now gradually entering retirement.

Development of pension and allowance expenses



Pension and allowance expenses in 2025



Source: German Federal Ministry of Finance, NORD/LB Floor Research

Low(er) level of pension provisions in East Germany
Last year, the share of pension provisions in relation to total expenditure was highest in Saarland and Lower Saxony, at 13.6%, while Baden-Wuerttemberg, North Rhine-Westphalia and Rhineland-Palatinate also recorded figures of at least 13% for this item. It is also striking that, over time, pension obligations in the East German Laender are accounting for a steadily rising share of the total expenses of these sub-sovereigns. Having stood at just 1.3% in 2010, the share has since risen to 4.2% in 2025 (2024: 3.9%). Nevertheless, expenditure in this regard remains well below the equivalent values that the West German Laender must cover. In the western non-city states, the share of pension payments in relation to total expenditure has consistently fluctuated between 12% and 13% in recent years, although this ratio has increased in each of the past three years. When considering pension expenditure in relation to population size, the city states of Hamburg and Bremen have traditionally posted the highest expenses. At EUR 1,198 per capita, the figure in Hamburg, for example, was almost six times higher than in Saxony (EUR 208). This relatively high amount is justified by the function and structure of city states, which is reflected both in above-average personnel costs and an elevated assumed number of inhabitants (factor: 1.35) when calculating the federal financial equalisation scheme.

Attempts to reform the pension system: fragmented effort, but no major breakthrough
The realisation that German society is ageing and that the pension system in its current form is reaching its limits and is therefore barely sustainable in the long term has been an open secret for decades. The issue of pensions is therefore regularly the subject of heated political debate and grand promises of reform – and yet efforts to put the pension system on a sustainable footing in the past have had only limited success. Instead of a comprehensive reform, amendments (most) recently have been rather piecemeal, tending to be fragmented and about compromise rather than an extensive overhaul. In the past, structural reforms have consistently failed due to a lack of political will to push them through, driven by fears of losing votes and conflicting special interests. However, the pressure to act is growing steadily: an ever-decreasing number of people in work are funding the pensions of an ever-increasing number of older people. One in two people in Germany is now over 45 and one in five is over 66, while life expectancy is rising and the birth rate is falling. Today, there are only around two contributors for every pensioner, compared with four in 1973 and three in 1988. This is increasing the financial burden on the system – for contributors and the state alike.

Will the federal government succeed in implementing structural pension reform?
Having implemented parts of the coalition agreement last year with the Pension Package 2025 – such as safeguarding the pension level at 48% until 2031 and introducing the mothers' pension and the active pension – the Pensions Commission set up by the federal government presented its recommendations for pension reform at the end of June 2026. These are intended to "ensure reliable provision in old age without placing a permanent strain on contributors or the federal budget". Specifically, 33 recommendations were formulated, the political implementation of which could prove challenging in some respects, but which we think are heading in the right direction on many points. For example, the Pensions Commission recommends linking the standard retirement age proportionally to life expectancy after 2031, abolishing the early retirement option without deductions of pension entitlements for individuals insured over a long period of time, and generally strengthening capital-funded elements within the old-age pension system. In addition, the proposal also envisages the introduction of a mandatory funded pension component modelled on Sweden's pension system. With regard to the contributor base, the Pensions Commission paints an ideal picture in which, in the long term, the self-employed, civil servants and members of parliament would be amongst those included within the scope of mandatory insurance – even if this "may prove difficult to achieve in the foreseeable future". In our view, the greatest impact (in the short term) is likely to come from the reintroduction and upgrading of the sustainability factor, which is intended to distribute the burdens of demographic ageing more evenly than before between pensioners and contributors, thereby curbing the adjustment of pensions in line with wage trends. However, the parliamentary process is only just beginning – and it remains to be seen which of the recommendations can actually be implemented and which will fall foul of political realities. Business and trade associations, trade unions and sections of the opposition have already spoken out and criticised the plans – so the political battle is now underway. So far, the recommendations of the Pensions Commission are merely proposals and do not have the force of law. However, it is encouraging that the federal government has committed to implementing all 33 recommendations in full. Its aim is to complete the legislative process for pension reform by the end of 2026. The first debate in the Bundestag is due to take place after the summer break.

Pension reform: legislative process to be completed by the end of 2026

Depending on its complexity and political sensitivity, the legislative process may drag on and take five or six months: initially, the federal government's draft bill must be forwarded to the Federal Council (Bundesrat) for its opinion, which then has the right to comment on the draft bill before it is presented to the Bundestag (the German federal parliament). The Federal Council has six weeks to do so, before the draft bill – possibly together with the Federal Council opinion and a response from the federal government – is tabled in the Bundestag, where legislative proposals are (in principle) subject to three readings. Between the first and second or third readings, they are also discussed in detail in the Bundestag committees. The third reading concludes with the final vote. If the bill secures the necessary majority, it is forwarded once again to the Federal Council. For laws requiring approval, such as pension reform, its consent is essential. If consent is not granted, a mediation committee may be convened to work out a compromise that is supported by both the Bundestag and the Federal Council. If both agree to this, the bill is deemed to have been passed. Finally, the bill is signed by the Federal President (Bundespräsident) and published in the Federal Law Gazette.

Comment

For years, the pension liabilities of the Laender have represented substantial items of expenditure. Especially in the West German Laender, this budget item significantly impairs budget flexibility. In future, these charges are likely to continue rising. In our view, the East German Laender have a clear advantage in this respect, because the resulting challenges are less severe, although it should be noted that this advantage is expected to fade slightly over the years, with further convergence of the proportion of pension payments in the budget to the western German level being anticipated. In the coming years, we expect these payments to rise further. Consequently, we are of the opinion that revenues will either need to be further increased, or expenditures cut, so that at least there is no deterioration in budget balances. Particularly in conjunction with the rise in interest expenses resulting from growing debt, it seems likely that Laender budgets will continue to feel the strain. This makes structural reforms all the more important: in our view, full implementation of the proposed pension reform measures would be a step in the right direction and is likely to alleviate the federal budgetary situation, at least in part, in the medium to long term. However, it should be highlighted that reforms often take a long time to take effect and therefore no short-term improvement is to be expected. Furthermore, the scope of individual measures may still not be far-reaching enough to ensure the long-term sustainability of the intergenerational contract. The most significant outcome of the reform proposal with regard to the pension obligations of the Laender is that the Pensions Commission has refrained from recommending the often-demanded inclusion of civil servants in the statutory pension scheme, even though this forms part of the "ideal scenario" outlined by the Pensions Commission. Nevertheless, to reduce the burden on public finances caused by civil servants' pensions in future, the Pensions Commission recommends significantly limiting the number of future appointments to the civil service and restricting them to core public administration tasks. Furthermore, the federal government and Laender should commit to setting aside sufficient reserves for future pensions in the event of any further appointments to the civil service. In our view, whether this will succeed in significantly easing the burden on Laender budgets remains questionable, particularly as the changes to the appointment of civil servants would take decades to take effect. However, the recommendation that the reforms to the statutory pension scheme should in future be applied to civil service pensions with "equivalent effect" is more encouraging.

Regulatory framework
Risk weighting of outstanding claims against German Laender

Relevant regulatory framework: Regulation (EU) No. 575/2013 (CRR)
On the basis of the risk weights that were defined by Basel II, the EU initially specified the provisions in Directive 2006/48/EC, before these definitions for risk weights were subsequently replaced by the CRR (Regulation (EU) No. 575/2013) in mid-2013. In 2019, this was expanded by the inclusion of elements under Basel III by Regulation (EU) 2019/876 (CRR II). An amending regulation (referred to as the CRR quick fix) to help with operating capital relief at banks in order to safeguard lending to the real economy and to mitigate the effects of COVID-19 then followed in June 2020.

Risk weight of EU sovereigns using standard approach: 0%
The risk weight for exposures to central governments or central banks is derived from Art. 114 of the CRR. In accordance with Art. 114(3) and (4) CRR, this means a risk weight of 0% for risk positions held against EU Member States or the ECB. If the exposure is denominated in the domestic currency of the respective country, this shall apply without any time limit. For exposures in a currency which is not the respective country's domestic currency, but nevertheless the currency of another Member State, a transitional arrangement applies in line with Art. 500a CRR until the end of 2026. Since the beginning of the year, the risk weight to be applied to these exposures corresponds to 50% of the risk weight allocated under Art. 114(2). From 2027 onwards, the risk weight will then be determined entirely on the basis of Art. 114 CRR.

Risk weight of regional governments or local authorities
The risk weight of regional and local authorities (RGLA) is equated with that of the relevant sovereign in accordance with Art. 115(2) CRR, subject to two provisos: rights to levy taxes must be in place and, based on the existence of specific institutional precautions aimed at reducing the default risk, there is no difference to risk positions held against the central government of the state in question. This applies in the same way to sub-sovereigns from third countries with legal and supervisory equivalence. The risk weight for other sub-sovereigns of Member States is 20%, assuming the exposure is denominated in the respective country's domestic currency. For all other sub-sovereigns, the risk weight is determined pursuant to Art. 115(-1) CRR.

EBA maintains database of RGLA risk weights
As this legal provision is open to interpretation, the EBA maintains a public database, which contains all RGLA in the EU where competent authorities treat risk exposures as exposures to their respective central government. Accordingly, outstanding claims against the following levels are assigned a risk weight of 0% in Germany:

- German Laender and their legally dependent special funds
- Municipalities and municipal associations

German Laender assigned 0% risk weight
It follows from this that exposure to German Laender can be assigned a risk weight of 0%, i.e., exposures of this kind benefit from the same regulatory advantages as, for example, German government bonds (Bunds).

Regulatory framework
Implications of the Liquidity Coverage Ratio (LCR)

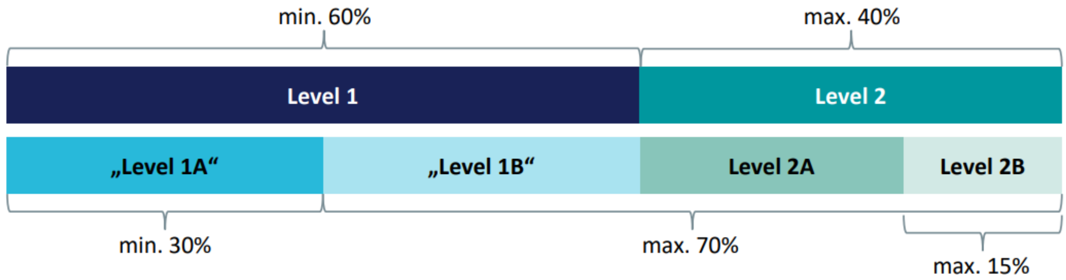
Implementation of the LCR with major implications for SSA and in particular agencies
During the financial crisis, the liquidity position of credit institutions increasingly became the focus of attention. Consequently, in December 2010 the Basel Committee on Banking Supervision (BCBS) announced a Liquidity Coverage Ratio (LCR) and a Net Stable Funding Ratio (NSFR). Following a transitional phase since 2015, full compliance with the LCR has been mandated since 2018. In the EU, the corresponding regulations were defined in European law in Regulation (EU) No. 575/2013 and Directive 2013/36/EU (CRD IV), as well as through the LCR Regulation. The definition of the means used to calculate the LCR presents major implications for SSA.

Objective of the LCR: reduction in liquidity risks for credit institutions
The objective of the LCR is to control the liquidity risk of a credit institution in such a way that sufficient High-Quality Liquid Assets (HQLA) are available at all times to survive a significant stress scenario lasting 30 days. It comprises the minimum liquidity buffer that is required in order to bridge liquidity mismatches of one month in crisis situations. Specifically, the LCR is calculated from the ratio of HQLA to the net payment outflows in the 30-day stress scenario, whereby this ratio must be at least 100%.

10 October 2014: European Commission publishes LCR Regulation
After there had been a lack of clarity for a long time about the precise definition of HQLA, as well as the EBA recommendation published at the end of 2013 only leading to further uncertainty in particular, the Liquidity Coverage Requirement Delegated Act was finally published on 10 October 2014. This LCR legal act specified in particular which assets are to be treated as HQLA in future. A revised version of the LCR Regulation finalised in July 2018 took effect from 30 April 2020. This relates to the regulation of assets from third countries, repo transactions, CIU shares and stocks. Moreover, another revision was published on 08 July 2022 that resolves overlaps between the specific liquidity requirements for covered bonds and the existing general liquidity requirements of the CRR.

Categorisation in different liquidity levels
Under the HQLA definition, the legislation, as proposed by the BCBS, divides HQLA into different liquidity levels. Depending on the assigned level, this results in upper and lower limits for certain levels and the application of possible haircuts. On the following two pages, we provide a brief overview of asset classification and allocation, before analysing the implications for the German Laender. A quick note from our side: in market practice, however, a distinction is occasionally made within Level 1 between “Level 1A” and so-called “Level 1B” assets (Level 1 covered bonds due to obligatory haircut), even if such a linguistic distinction appears neither in the CRR nor the LCR Regulation.

Structure of the LCR portfolio (Art. 17 LCR-R)



Source: LCR-R, NORD/LB Floor Research

Classification overview

	Level 1 assets (minimum of 60% of liquidity buffer; min. 30% excluding (f) – covered bonds)		Minimum haircut (for shares or units in CIUs)
(a)	Coins and bank notes		- (-)
(b)	Following exposures to central banks:		- (-)
	(i)	Assets representing claims on or guaranteed by the ECB or an EEA Member State’s central bank	
	(ii)	Assets representing claims on or guaranteed by central banks of third countries (CQS 1)	
	(iii)	Reserves held by the credit institution in a central bank referred to in (i) and (ii) provided that the credit institution is permitted to withdraw such reserves at any time during stress periods and the conditions for such withdrawals have been specified in an agreement between the relevant competent authority and the ECB or the central bank	
(c)	Assets representing claims on or guaranteed by the following central or regional governments, local authorities or public sector entities (PSEs):		- (5%)
	(i)	Central government of an EEA Member State	
	(ii)	Central government of a third country (CQS 1)	
	(iii)	Regional governments, local authorities or public sector entities (PSEs) in an EEA Member State, if they are treated as exposures to the central government of the respective EEA Member State (i.e., risk weight of 0%)	
	(iv)	Regional governments or local authorities in a third country of the type referred to in (ii), if they are treated as exposures to the central government of the third country (i.e., same risk weight as central government [0%])	
	(v)	PSEs provided that they are treated as exposures to the central government of an EEA Member State or to one of the regional governments or local authorities referred to in (iii) (i.e., same risk weight of 0%).	
(d)	Assets representing claims on or guaranteed by the central government or the central bank of a third country, which has not been allocated a rating of CQS 1 (i.e. rating below AA-), and certain reserves		- (5%)
(e)	Assets issued by credit institutions which meet at least one of the following requirements:		- (5%)
	(i)	Incorporated in, or established by the central government of, an EEA Member State or a regional government or local authority in an EEA Member State, subject to the legal requirement that the government or local authority is obliged to protect the economic basis of the credit institution and maintain its financial viability throughout its lifetime and that any exposure to the regional government or local authority in question, if applicable, is treated as an exposure to the central government of the EEA Member State (i.e., risk weight of 0%);	
	(ii)	The credit institution is a promotional lender as defined in Art. 10(1)(e)(ii)	
(f)	Qualifying EEA covered bonds that fulfil all of the requirements under Art. 10(f). These include, among others: issuance volume of at least EUR 500m or equivalent in the domestic currency, rating of at least CQS 1 or in the absence of this rating a risk weight of 10% pursuant to Art. 129(5) CRR.		7% (12%)
(g)	Assets representing claims on or guaranteed by multilateral development banks and international organisations as defined in Art. 117(2) and Art. 118 CRR		- (5%)

NB: CQS = Credit Quality Step (rating class) as defined in CSA
Please note: The “Classification overview” section is not a verbatim reproduction of the original legal text but merely serves as a condensed and simplified version of the contents.
Source: LCR-R, NORD/LB Floor Research

Classification overview (continued)

	Level 2A assets (maximum of 40% of liquidity buffer)	**Minimum haircut (for shares or units in CIUs)**
(a)	Assets representing claims on or guaranteed by regional governments, local authorities or PSEs in an EEA Member State, where exposures to them are assigned a risk weight of 20% pursuant to Art. 115(1)(5) and Art. 116(1)(2)(3) CRR	15% (20%)
(b)	Assets representing claims on or guaranteed by the central government or the central bank of a third country, or by a regional government, local authority or PSE in a third country, where exposures to them are assigned a risk weight of 20% pursuant to Art. 114(2) and Art. 115 or Art. 116 CRR	15% (20%)
(c)	Qualifying EEA covered bonds that comply with all requirements under Art. 11(c). These include, among others: issuance volume of at least EUR 250m or equivalent in the domestic currency, rating of at least CQS 2 or in the absence of this rating a risk weight of 20% pursuant to Art. 129(5) CRR.	15% (20%)
(d)	Qualifying covered bonds from third countries that comply with all requirements under Art. 11(d). These include, among others: issued by a credit institution or a wholly owned subsidiary of a credit institution guaranteeing the issue; issuance volume of at least EUR 500m or equivalent in domestic currency, rating of at least CQS 1 or in the absence of this rating a risk weight of 10% pursuant to Art. 129(5) CRR	15% (20%)
(e)	Corporate debt securities which meet all of the following requirements: (i) CQS 1 (minimum rating of at least AA- or equivalent in event of a short-term credit assessment) (ii) issuance volume of at least EUR 250m or equivalent in domestic currency (iii) maximum time to maturity of the securities at the time of issuance is 10 years	15% (20%)
	Level 2B assets (maximum of 15% of liquidity buffer)	**Minimum haircut (for shares or units in CIUs)**
(a)	Exposures in the form of ABS under certain conditions (pursuant Art. 13 of the LCR-R)	25-35% (30-40%)
(b)	Corporate debt securities which meet all of the following requirements: (i) CQS ≤3 (ii) issuance volume of at least EUR 250m or equivalent in domestic currency (iii) maximum time to maturity of the securities at the time of issuance is 10 years	50% (55%)
(c)	Shares or units that meet certain conditions (Art. 12(1)(c) LCR-R)	50% (55%)
(d)	Restricted-use committed liquidity facilities provided by the ECB, the central bank of an EEA Member State or a third country, under certain conditions (Art. 14 LCR-R)	-
(e)	Qualifying EEA covered bonds which meet the requirements of Art. 12(1)(e) LCR-R	30% (35%)
(f)	Exception for religiously observant credit institutions: certain non-interest-bearing assets	50% (55%)

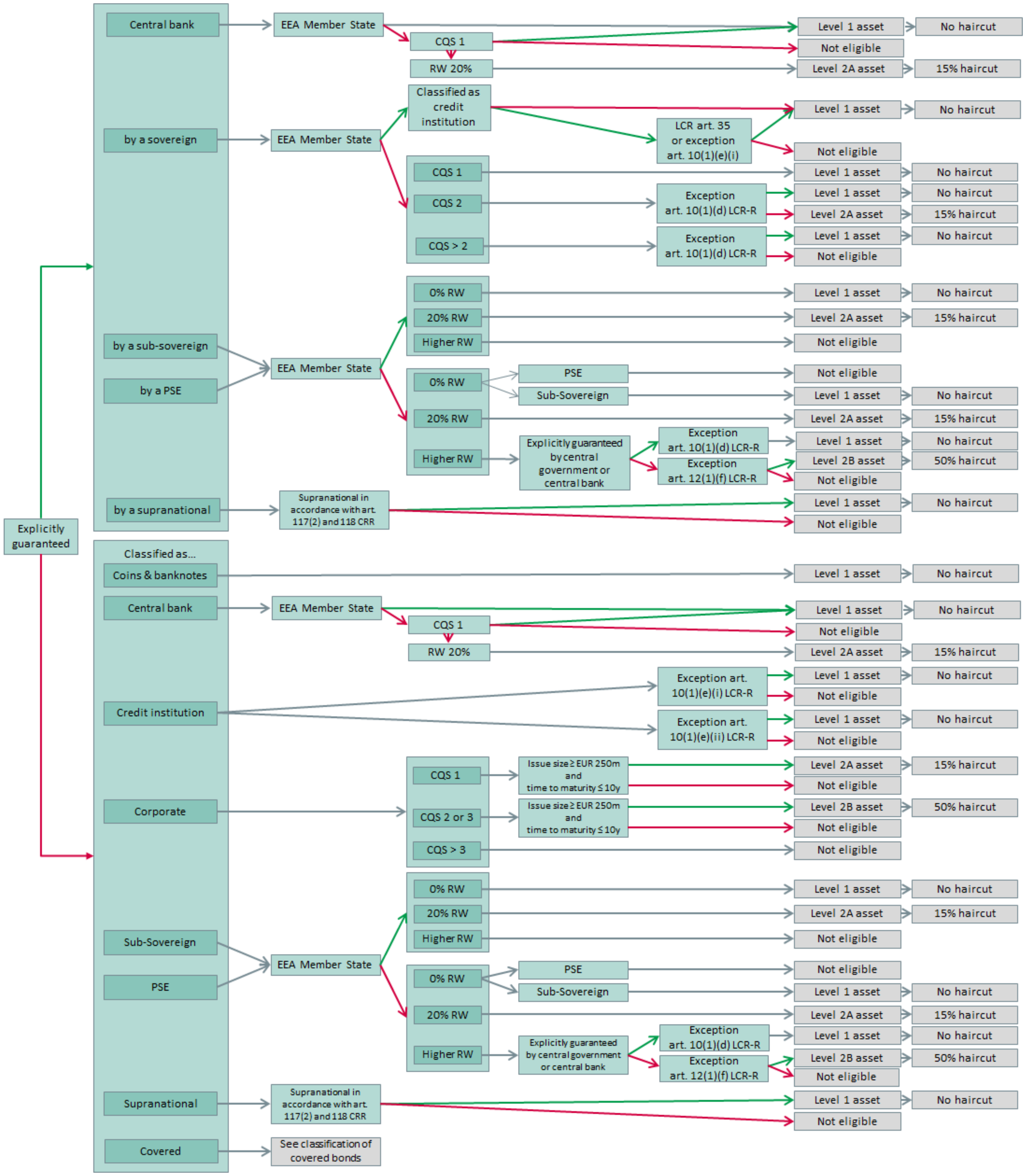
NB: CQS = Credit Quality Step (rating class) as defined in CSA
Please note: The "Classification overview" section is not a verbatim reproduction of the original legal text but merely serves as a condensed and simplified version of the contents.
Source: LCR-R, NORD/LB Floor Research

Mapping table (long-term)

Rating class	Fitch	Moody's	S&P	Scope
1	AAA to AA-	Aaa to Aa3	AAA to AA-	AAA to AA-
2	A+ to A-	A1 to A3	A+ to A-	A+ to A-
3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-	BBB+ to BBB-
4	BB+ to BB-	Ba1 to Ba3	BB+ to BB-	BB+ to BB-
5	B+ to B-	B1 to B3	B+ to B-	B+ to B-
6	CCC+ and lower	Caa1 and lower	CCC+ and lower	CCC and lower

Source: CRR, NORD/LB Floor Research
NB: Other rating agencies indicated in Regulation EU/2016/1799

LCR classification of assets (Art. 10-12 LCR-R)



Comments: stated haircuts do not apply to shares or units in CIUs; PSE = Public Sector Entity; CQS = Credit Quality Step (rating class) as defined in CSA; green = condition met; red = condition not met; grey = tbc
Source: LCR-R, NORD/LB Floor Research

Classification of PSEs and sub-sovereigns

The classification of PSEs and sub-sovereigns (regional governments and local authorities; RGLA for short) is almost identical. If an explicit guarantee is given for a bond or an issuer by a central government, classification is the same as for sovereigns. If no explicit guarantee is given, classification is carried out primarily on the basis of the issuer's risk weight. If, in regulatory terms, PSE and sub-sovereign bonds may be treated as exposures to the respective central government and a risk weight of 0% can be applied, these issuers can accordingly be classified as Level 1. Theoretically, exceptions to this are issuers from outside the EEA where a risk weight of 0% can be applied but there is no explicit guarantee in place. If it involves a PSE, classification is not possible. Sub-sovereigns can be classified as a Level 1 asset. Institutions where a risk weight of 20% can be applied are classified as Level 2A issuers. Institutions with higher risk weights that are based outside the EEA and have an explicit guarantee from a central bank or government can be classified as Level 1 issuers using the conditions of Exemption (d) (see classification of sovereigns). If an explicit guarantee is not specified, a Level 2B classification as defined in Art. 12(1)(f) LCR Regulation remains an option. This refers to institutions which, due to their religious beliefs, are not permitted to hold interest-bearing assets. Bonds of other PSEs and sub-sovereigns for which the risk weight is higher than 20% under the standardised credit risk approach cannot be classified as liquid assets.

0% risk weight facilitates Level 1 classification for German Laender bonds

Since exposure to German Laender can be assigned a risk weight of 0% under the CRR standard approach (see previous chapter), this consequently results in Level 1 classification for German Laender bonds. In the case of the LCR, too, from a regulatory viewpoint this results in equivalent treatment of exposures to both the Bund (German federal government) and the Laender.

Regulatory framework
Impacts of the Net Stable Funding Ratio (NSFR)

Introduction of the NSFR targets reduction in funding risks

In December 2010, the Basel Committee on Banking Supervision (BCBS) announced the introduction of a net stable funding ratio (NSFR) which, similar to the LCR, is aimed at increasing the stability of financial institutions. The aim of the LCR is to prevent liquidity bottlenecks in a 30-day stress scenario, whereas the NSFR focuses on reducing funding risks across a 12-month time frame. The objective is to reduce the susceptibility of banks to disruptions in the usual funding channels, to counteract potential liquidity disruptions and thereby prevent a systemic stress scenario. In particular, the NSFR is designed to limit overreliance on short-term funding. In October 2014, the BCBS published the final NSFR framework.

EU implementation of the NSFR

In Art. 413(1), the CRR already includes an initial requirement for institutions to structure their long-term liabilities in such a way that they can be adequately funded under both normal and stressed conditions. Moreover, institutions are already subject to requirements to report to the competent authorities. However, detailed criteria and weighting factors for the NSFR were only included in Art. 428a et seq. of the CRR with the banking package of 20 May 2019. The new rules came into force on 28 June 2021. In future, simplified NSFR calculations will apply to "small and non-complex institutions" (in accordance with Art. 4(1) No. 145 of the CRR). However, the regulator has also introduced some deviations from the Basel framework in its implementation into European law. For example, the definition and the weighting of liquid assets have been taken from the LCR. There are also differences in relation to calibration and individual instruments. The aim of these differences and subsequent introduction at a later date (currently only the reporting obligation applies) is to make it easier for institutions at European level to introduce the Basel framework, which is regarded as quite conservative. The simplified requirements for small and non-complex institutions are also a European feature.

Definition of the NSFR

The NSFR is defined as the available amount of stable funding (ASF) relative to the required amount of stable funding (RSF). A value of 100% should be maintained as a minimum level here.

Stable funding considerations

The idea behind the NSFR is to ensure that the available stable funding (ASF) fully covers the required stable funding (RSF) for a time horizon of one year. The maturity, quality and liquidity of an asset are the main factors used to calculate how much stable funding the respective asset requires. The stability of the liabilities is mainly defined by their maturity and their availability in relation to the probability of outflows.

Calculation of the NSFR
The NSFR is calculated as shown below and expressed as a percentage (in line with Art. 428b and 428c CRR):

$$\text{NSFR} = \frac{\text{Available Stable Funding (ASF)}}{\text{Required Stable Funding (RSF)}} \geq 100\%$$

The calculation is carried out in the reporting currency. Institutions are required to apply the appropriate factors to the book value of assets, liabilities and off-balance-sheet items, as outlined in the following.

Calculation of the RSF
The RSF is calculated by multiplying the totality of all assets and off-balance-sheet exposures in accordance with Art. 428r-428ah of the CRR by the appropriate weighting factors (Required Stable Funding Factor, RSFF). As a rule, in the context of the calculation of the RSF, it can be assumed that assets with a longer residual maturity will be assigned a higher RSF weight factor. At the same time, better quality and liquidity make for a lower RSF weight. In the event that funding routes should be disrupted, the expectation is that high quality liquid assets (HQLA) would be easy to sell and therefore could help counteract any liquidity bottleneck. The funding risk of assets with longer residual maturities tends to be higher. Consequently, such assets call for larger volumes of stable funding.

Calculation of the ASF
Ideally, an institution should have ASF to cover at least 100% of the RSF amount calculated in the first instance. ASF is derived from the totality of all liabilities pursuant to Art. 428k to 428o of the CRR, multiplied by the respective risk weight factors (Available Stable Funding Factor, ASFF). The allocation of ASF weight factors to the respective liabilities is initially based on the maturity of the liability. Accordingly, a longer residual maturity results in a higher allocation of the instrument to the ASF. Consequently, all liabilities with a residual maturity of at least one year, in other words, a maturity date outside the period assessed by the NSFR, are given a weight factor of 100%. These liabilities are regarded as stable funding in full, as there is no funding risk within a year. Alongside maturity, the respective counterparty of the liabilities plays a role. Liabilities against retail customers or small and medium-sized enterprises (SMEs) are deemed to be more stable.

Weighting factors could change again
As previously mentioned, the NSFR entered into force on 28 June 2021, although the EBA has already been tasked with reviewing this by way of Art. 510 CRR after the CRR came into force in June 2019. The particular focus is on derivative contracts (Art. 428s [2] and Art. 428at [2]). In this regard, netting sets of derivative contracts are therefore taken into account in both the NSFR and the simplified calculation of the NSFR at 5% of the required stable funding.

German Laender enjoy preferential regulatory treatment pursuant to CRR
From our perspective, the effect of the NSFR on the German Laender is proving to be positive. Given that LCR-eligible assets must be backed by less stable funding due to their lower RSF factor, they are given preferential treatment. The classification of the German Laender as Level 1 assets produces an NSFR classification of 0% pursuant to Art. 428r CRR.

Regulatory framework
Classification of SSA under Solvency II

Solvency capital requirements arise from various risk modules
On 10 October 2014, the European Commission published the delegated regulation 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 entailing significant implications. In turn, this can be broken down into the sub-modules of interest rate, equity, real estate, currency, market concentration and spread risk. With regard to the determination of spread risk in particular, there are exceptions in relation to banking regulations that significantly increase the relative attractiveness of selected issuer groups, as is the case with the risk weight. When calculating capital requirements using the standard formula, EEA government bonds, for example, are included in the interest rate and foreign exchange risk modules, but not in the spread and concentration risk.

Art. 180(2) gives preferred status to selected issuers
The criteria for the preferred regulatory treatment of risk positions arise, in particular, from Art. 180(2) Solvency II. Exposures that meet certain criteria (see below) may be assigned a stress factor of 0%, whereby no capital backing is required for these items to support spread risk. According to Art. 180(9), a stress factor of 0% also applies in the case of credit derivatives where the underlying financial assets are bonds or loans as defined in Art. 180(2). 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. Overall, highly positive implications therefore arise from this preferred treatment, which, in our opinion, applies to a large number of SSA.

Art. 180(2) regulates RGLA exposures for the first time
The Delegated Regulation (EU) 2019/981 amends Art. 180(2) to include, for the first time, risk exposures in the form of bonds and loans guaranteed by RGLA. Exposures to RGLA have now also been defined. Fundamentally, guarantee recipients must have preferred status in terms of the guarantees from RGLA and exposure to these. However, two restrictions must be taken into account: first, risk positions against RGLA must be equated with those against the respective central government [(EU) 2015/2011; Art. 115(2) CRR], and second, the guarantees must meet the conditions laid down in Art. 215 of the Solvency II Act. RGLA that do not benefit from equal treatment as per Art. 115 CRR are automatically assigned a $stress_i$ risk factor in line with CQS 2 pursuant to Art. 180 of (EU) 2019/981. This equally applies to bonds/issuers guaranteed by these RGLA. According to our understanding, this means that international regions of non-Member States 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*$_i$ 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*$_i$ 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.

Source: Solvency II, NORD/LB Floor Research

Equal treatment of sovereign exposure and exposure with an explicit state guarantee

Art. 180(2) provides for regulatory equivalence between exposures to central governments and those guaranteed by the state or by RGLA. Since this came into effect, promotional banks with a guarantee from an RGLA (e.g. the promotional banks of the German Laender) have also benefited from preferential 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.

German Laender benefit from 0% stress factor

At the beginning of July 2015, the European Insurance and Occupational Pensions Authority (EIOPA) published a Final Report on the basis of a consultation paper, which defined 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 a *stress*$_i$ risk factor of 0% cannot be assigned here. The table below summarises the RGLA 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 government and local authorities (0% stress factor possible)

Country	Regional governments and local authorities (RGLA)
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 and 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

Non-EEA regions (still) not included on EIOPA list

Interestingly, EIOPA continues to only cite RGLA from EEA countries in its list, although there is no restriction to Member States under Art. 85. In its 2015 Final Report, EIOPA had already not entirely ruled out extending the scope of application to include RGLA from relevant third countries in the future. While in the course of its most recent Solvency II review EIOPA again addressed the question as to which risk exposures to RGLA should be treated as equivalent in regulatory terms to those of the respective central governments and indicated that adjustments were planned, these adjustments only pertain to RGLA based in EEA Member States. Unfortunately, in our view, EIOPA has once again missed the opportunity to expand the list to include RGLA from relevant third countries, which, in our opinion, also includes Canada. Canadian RGLA bonds are therefore still *not* preferred under Solvency II and must be assessed on a case-by-case basis according to their credit rating and duration.

Conclusion

We are of the opinion that the Solvency II Directive highlights the importance of regulation within the SSA segment. The possibility of preferential regulatory treatment or regulatory equivalence with central governments significantly enhances the relative attractiveness of selected SSA – including for the German Laender.

Regulatory framework
ECB repo collateral rules and their implications

General framework and Temporary framework define collateral rules
Within the scope of its statutes, access to ECB liquidity is only possible on a collateralised basis. The ECB defines the assets that are eligible as collateral in its *General framework* and *Temporary framework*. There are some significant differences in the criteria for acceptance as collateral, especially for quasi-government issuers. For this reason, and also due to the fact that on 29 June 2023 (following the end of the pandemic-related, time-limited reduction in valuation haircuts) the ECB took the opportunity to adjust the details, in the following section we propose to take a more detailed look at the ECB repo rules.

Overview of collateral regulations (in accordance with the General framework)

Eligibility criteria	Marketable assets	Non-marketable assets	
Type of asset	ECB debt certificates, other marketable debt instruments (Art. 60)	Credit claims and Schuldscheindarlehen (SSD) (Art. 89)	Retail mortgage-backed debt instruments (RMBDs) (Art. 107)
Credit standards	The asset must meet high credit quality standards. These are assessed using ECAF (Eurosystem credit assessment framework) rules for marketable assets. (Art. 59)	The debtor/guarantor must satisfy high credit quality requirements. Creditworthiness is assessed on the basis of the ECAF rules for credit claims (Art. 92)	The asset must meet high credit standards. The high credit standards are assessed using ECAF rules for RMBDs.
Place of issue	Debt instruments must be issued with a central bank or an approved securities settlement system in the EEA (Art. 66)	-	-
Settlement/ handling procedures	Debt instruments shall be transferable in book entry form and shall be held and settled in Member States whose currency is the euro through an account with a national central bank (NCB) or with an eligible SSS, so that the provision and realisation of collateral is subject to the law of a Member State whose currency is the euro (Art. 67)	Credit claims must be settled in accordance with the processes of the Eurosystem, which are stipulated in the relevant national documentation of the NCB (Art. 98)	The procedures for commissioning, using and settling the RMDBs are based on Eurosystem procedures as defined in the national documentation of the home NCB
Type of issuer/ debtor/guarantor	NCBs, public sector entities, private sector, multilateral development banks or international organisations (Art. 69)	Public sector entities, non-financial enterprises, multilateral development banks or international organisations (Art. 95)	Credit institutions that are counterparties and based in a Member State whose currency is the euro
Place of establishment of the issuer/debtor/ guarantor	Issuer: EEA or non-EEA G-10 countries; Debtor: EEA; Guarantor: EEA (Art. 70)	Eurozone (Art. 96)	Eurozone
Acceptable markets	Regulated markets as defined in Directive 2014/65/EU, non-regulated markets approved by the ECB (Art. 68)	-	-
Currency	Euro (Art. 65)	Euro (Art. 94)	Euro

Source: ECB, Guideline (EU) 2015/510, NORD/LB Floor Research

Overview of collateral regulations (in accordance with General framework) (continued)

Minimum amount	-	Minimum amount at the time of submitting the credit claim (Art. 93) - Domestic use: TEUR 25 or any higher amount set by the domestic NCB; - Cross-border use: minimum amount of EUR 0.5m	-
Legal basis	For asset-backed securities (ABS), the acquisition of the cash-flow generating assets by the SPV shall be governed by the law of a Member State. The law governing the cash-flow generating assets shall be the law of an EEA country (Art. 75)	Governing law for credit claim agreement and mobilisation (Art. 97): law of a Member State whose currency is the euro. There shall be no more than two governing laws in total that apply to: a) the counterparty, b) the creditor, c) the debtor, d) the guarantor (if relevant), e) the credit claim agreement, f) and the mobilisation agreement	-
Cross-border use	Yes (Art. 148)	Yes (Art. 93)	Yes

Source: ECB, Guideline (EU) 2015/510, NORD/LB Floor Research

Precise definition of possible collateral

In accordance with Part 4, Title II, Chapter 1, Art. 62 of the *General framework*, the ECB accepts bonds with fixed, unconditional nominal volume as collateral (in contrast to convertible bonds, for example) that carry a coupon that does not result in negative cash flow. In addition, bonds without a coupon payment (zero coupons), with fixed or variable interest payments based on a reference interest rate, are also eligible. Bonds designed so that the coupon payment changes in line with a rating upgrade or downgrade, or inflation-linked bonds, are also eligible for use as collateral. Special rules apply to ABS with regard to the first condition (fixed, unconditional nominal volume). The ECB generally divides collateral into two groups: marketable and non-marketable assets, which differ primarily in terms of their acceptance criteria.

Elimination of certain special provisions under the Temporary framework

In addition to the regular eligibility criteria, the Temporary framework initially provided for extended provisions, such as the temporary admission of certain debt securities denominated in third currencies (GBP, JPY, USD) and the suspension of credit rating thresholds for debt securities issued or guaranteed by IMF/EU programme countries. With the amendment of Guideline (EU) 2014/528 on 30 March 2026, these special provisions were revoked and are therefore no longer applicable.

Valuation discount (haircut) for collateral is derived from allocation to a haircut category

ECB-compliant collateral (marketable) is divided into five haircut categories, which differ with regard to issuer classification and type of collateral. The haircut category is the key factor in determining haircuts to which certain debt securities are subject. The haircuts also differ on the basis of residual term to maturity and coupon structure. Since the revised version came into force, haircuts for bonds with variable coupons correspond to those of fixed-interest bonds (of the respective category). The haircut categories shown in the table are defined in Guideline (EU) 2016/65.

Haircut categories – an overview

Category I	Category II	Category III	Category IV	Category V
Debt instruments issued by central governments	Debt instruments issued by RGLA	Debt instruments issued by non-financial corporations, corporations in the government sector and agencies which are non-credit institutions that do not meet the quantitative criteria set out in Annex XIIa to Guideline (EU) 2015/510 (ECB/2014/60)	Unsecured debt instruments issued by credit institutions or institutions which are credit institutions that do not meet the quantitative criteria set out in Annex XIIa of Directive (EU) 2015/510 (ECB/2014/60)	Asset-backed securities
Debt instruments issued by the European Union	Debt instruments issued by entities (credit institutions or non-credit institutions) classified by the Eurosystem as agencies and which meet the quantitative criteria set out in Annex XIIa to Directive (EU) 2015/510 (ECB/2014/60)		Unsecured debt instruments issued by financial corporations other than credit institutions	
Debt certificates issued by national central banks (NCBs) of the Member States, whose currency is not the euro	Debt instruments issued by multilateral development banks and international organisations other than the European Union			
	Legislative covered bonds			
	Multi-cédulas			

Source: ECB, NORD/LB Floor Research

Adjustment to haircuts within the ECB framework

Since the ECB Governing Council considers the risk profile of Pfandbrief jumbos to be similar to that of other statutory covered bonds and multi-cédulas (jointly placed covered bonds from Spain), it was decided at the end of June 2023 that the same Category II haircuts should apply to all of the aforementioned bonds from now on. As a result, references to Pfandbrief jumbos have now been deleted. Furthermore, debt instruments issued by the EU are now assigned to Category I (previously Category II). Moreover, since May 2024, valuation haircuts are no longer applied to debt securities issued prior to the introduction of the euro by the ECB and national central banks of Member States whose currency is the euro. Another new feature is that instruments with the longest remaining maturity of more than ten years are classified into three new categories: 10-15 years, 15-30 years, and 30+ years. This move, alongside the decision to apply a maturity-dependent theoretical valuation adjustment, is intended to improve the granularity of the risk coverage of this theoretical valuation, which is of particular relevance for instruments with longer maturities.

Haircuts by haircut category and rating – an overview

Credit quality	Residual maturity (years)(*)	Haircut category								
		Category I		Category II		Category III		Category IV		Category V
		Fixed/ floating coupon	Zero coupon	Fixed/ floating coupon	Zero coupon	Fixed/ floating coupon	Zero coupon	Fixed/ floating coupon	Zero coupon	
AAA to A-	[0-1)	0.5%	0.5%	1.0%	1.0%	1.0%	1.0%	7.5%	7.5%	4.0%
	[1-3)	1.0%	2.0%	1.5%	2.5%	2.0%	3.0%	10.0%	11.5%	5.0%
	[3-5)	1.5%	2.5%	2.5%	3.5%	3.0%	4.5%	12.0%	13.0%	7.0%
	[5-7)	2.0%	3.0%	3.5%	4.5%	4.5%	6.0%	14.0%	15.0%	9.0%
	[7-10)	3.0%	4.0%	4.5%	6.5%	6.0%	8.0%	16.0%	17.5%	12.0%
	[10-15)	4.0%	5.0%	6.5%	8.5%	7.5%	10.0%	18.0%	22.5%	18.0%
	[15-30)	5.0%	6.0%	8.0%	11.5%	9.0%	13.0%	21.0%	25.0%	20.0%
	[30,∞)	6.0%	9.0%	10.0%	13.0%	11.0%	16.0%	24.0%	31.5%	22.0%
BBB+ to BBB-	[0-1)	5.0%	5.0%	5.5%	5.5%	6.5%	6.5%	11.5%	11.5%	Not permissible
	[1-3)	6.0%	7.0%	7.5%	10.5%	9.5%	12.0%	18.5%	20.0%	
	[3-5)	8.5%	10.0%	11.0%	16.0%	13.0%	18.0%	23.0%	27.0%	
	[5-7)	10.0%	11.5%	12.5%	17.0%	15.0%	21.5%	25.5%	29.5%	
	[7-10)	11.5%	13.0%	14.0%	21.0%	17.0%	23.5%	26.5%	31.5%	
	[10-15)	12.5%	14.0%	17.0%	25.5%	19.5%	28.0%	28.5%	35.0%	
	[15-30)	13.5%	15.0%	20.0%	28.5%	22.0%	31.0%	31.5%	39.0%	
	[>30,∞)	14.0%	17.0%	22.0%	32.5%	25.0%	35.5%	34.5%	43.0%	

(*), i.e. [0-1) residual maturity less than 1 year, [1-3] residual maturity equal to or greater than 1 year and less than 3 years, etc.
Source: ECB, NORD/LB Floor Research

ECB allocates German Laender bonds to second-best haircut category

The listing of haircut categories illustrates that the German Laender as regional governments continue to be assigned to the same level as, for example, agencies such as KfW, which are recognised by the ECB. As such, German Laender bonds benefit from the second-best treatment under the repo rules, after bonds issued by central governments and central banks. The ECB's definitions of collateral therefore provide for further preferential treatment of German Laender from a regulatory viewpoint. At this point, it would make sense to briefly touch upon SSD deals: In regulatory terms, the SSDs issued by sub-sovereigns are regarded as credit claims and considered to be eligible collateral as well. However, they are classified as "non-marketable". Eligible debtors and guarantors in this context include non-financial corporations, public sector entities, multilateral development banks and international organisations. In this way, the circle of potentially eligible debtors is smaller than is the case for eligible issuers of marketable collateral. The valuation haircuts for SSDs issued by the German Laender also result from the provisions laid down in Guideline (EU) 2016/65. However, in contrast to marketable collateral, there are no haircut categories, with the result that the haircut is determined solely on the basis of the credit quality of the issuer, the residual maturity and the coupon structure. Moreover, from our perspective it is worth mentioning that in this regulatory context German Agencies (which are above all regional and national promotional banks) do not constitute public sector entities, which means that any SSD deals placed by these issuers are consequently not considered to be non-marketable collateral and are therefore not accepted as collateral for ECB liquidity.

Performance and relative value
Benchmark indices for German Laender

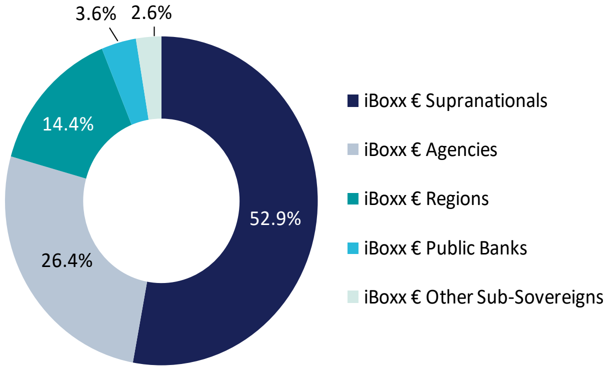
iBoxx € Regions as a benchmark for German Laender?
When it comes to identifying an appropriate benchmark index for bonds issued by the German Laender, the iBoxx € Regions from the data provider Markit always stands out. Containing a total of 252 bonds (composition: August 2026), the sub-index of the iBoxx € Sub-Sovereigns represents the universe of EUR-denominated bonds issued by regional governments and local authorities (RGLA). With a (volume-based) index weighting of 66.7% (172 bonds), the German Laender dominate the index. For various reasons, however, we do not consider the index to be the ideal benchmark for Laender bonds.

Criteria for classifying issuers in the iBoxx € Sub-Sovereigns sub-indices

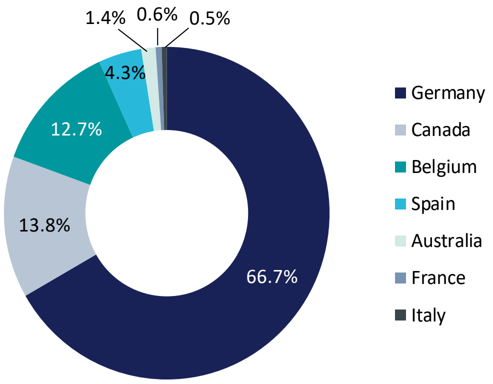
Agencies	Issuers whose main business activity is carrying out a task funded by a local authority and which is neutral in relation to competition (e.g. KfW).
Supranationals	Issuers owned by more than one sovereign (e.g. EIB).
Public banks	Issuers which are publicly owned and funded but which offer commercial banking services (e.g. BNG).
Regions	*Issuers that represent regional or local governments (e.g. German Laender) – with either an implicit or explicit guarantee and strong relationship with, or ownership by, the government.*
Other sub-sovereigns	All other bonds that are regarded as sub-national. A distinction is made between three groups: 1. Non-financials: State-funded issuers from a non-financial sector, e.g. state-owned railway companies. 2. Guaranteed financials: Private sector issuers with a guarantee from an RGLA. 3. State-guaranteed bonds placed by non-guaranteed institutions.

Source: Markit, NORD/LB Floor Research

Sub-indices of the iBoxx € Sub-Sovereigns by outstanding volume



Volume-weighting within the iBoxx € Regions



Source: Markit, NORD/LB Floor Research

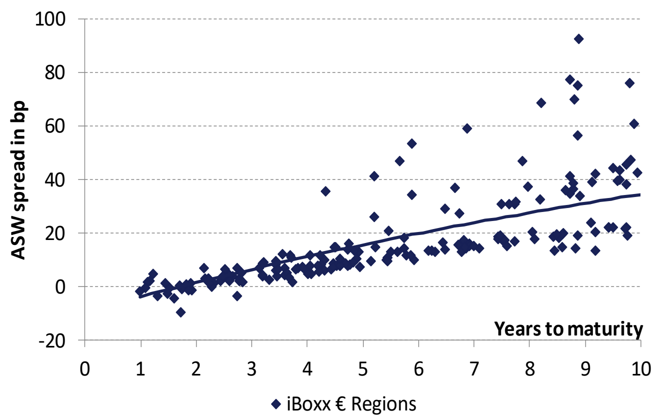
Criteria for bond selection in the iBoxx € Sub-Sovereigns sub-indices

Bond type	Only those bonds whose cash flows can always be determined in advance are taken into consideration in the Markit iBoxx € indices. T-bills and other money market instruments are not included; the only currency permitted is the euro. The origin of the issuer is irrelevant.
Rating	Bonds in the Markit iBoxx € indices must have an investment grade iBoxx rating. Ratings from the three rating agencies Fitch, Moody's and S&P are taken into account. The rating approach used by the Markit iBoxx indices is based on the average of the ratings assigned by the three rating agencies.
Residual term to maturity	Each bond included in an iBoxx € index must have a minimum residual term to maturity of one year on the day the composition of the index is specified.
Outstanding volume	Minimum volume outstanding EUR 1.0bn

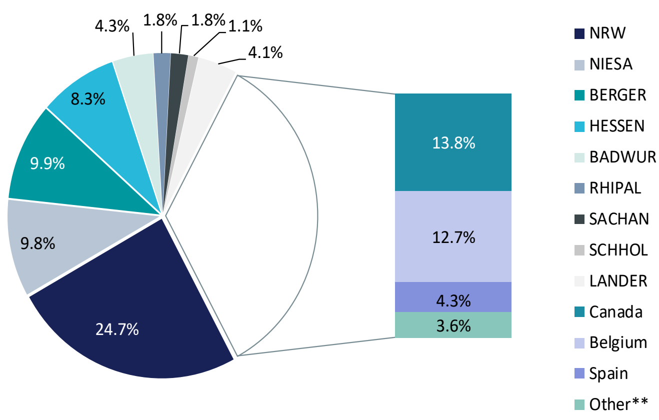
Source: Markit, NORD/LB Floor Research

Risk premia vary due to periphery issuers
From our perspective, the inclusion of Canadian provinces, as well as Belgian, Spanish and Italian regions, does not ideally replicate the German Laender segment. In fact, due to issuers originating from European periphery countries in particular, the ASW spreads can, in part, differ significantly from those of the German Laender. As a result of divergent ratings and liability mechanisms, as well as more fundamental differences, the spread level of the German Laender is considerably lower than that of issuers from the periphery, which, from our point of view, reduces the comparability of the index.

ASW spreads of the iBoxx € Regions*



iBoxx € Regions by issuer



* Residual term to maturity ≥1 year and ≤10 years. ** BAYERN and HAMBRG, among others
Source: Bloomberg, Markit, NORD/LB Floor Research

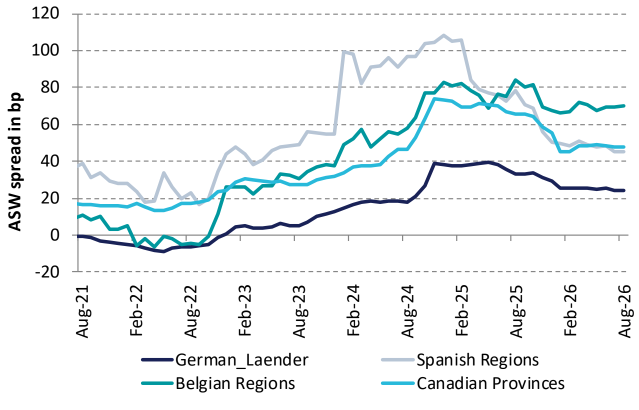
Weighting of the German Laender does not reflect the actual Laender bond market
In our view, the weighting of the German Laender in the iBoxx € Regions does not truly depict the actual Laender market either. This is primarily due to the criteria for bond selection used by Markit for the iBoxx € Sub-Sovereigns indices. The criteria, in particular the specification of minimum issue volumes of EUR ≥1.0bn and fixed-interest bonds, cause a distorted weighting of the Laender in relation to each other. For example, there is a substantial supply of bonds with lower volumes, while Saarland, for example, was not rated until October 2016 and Bremen exclusively issued floaters up to 2014. In general, the specification of the iBoxx € Regions means there is no benchmark for the performance and risk premia of Laender floaters. Nevertheless, after excluding the periphery issuers, the iBoxx € Regions almost exactly replicates the ASW spread levels of Laender bonds, as there are hardly any spread differences between the German sub-sovereigns.

Comment
Given the shortcomings of the iBoxx € Regions outlined above, we shall use the total number of Laender bonds in circulation to produce a relative view of each German sub-sovereign. For this reason, we analyse fixed-interest bonds in relation to all German Laender bonds in benchmark format with an outstanding volume of at least EUR ≥500m. Similarly, if no corresponding fixed-interest bonds are available for analysis, where necessary we look at the floaters issued by a federal state in relation to all Laender floaters with an outstanding volume of at least EUR ≥500m as well.

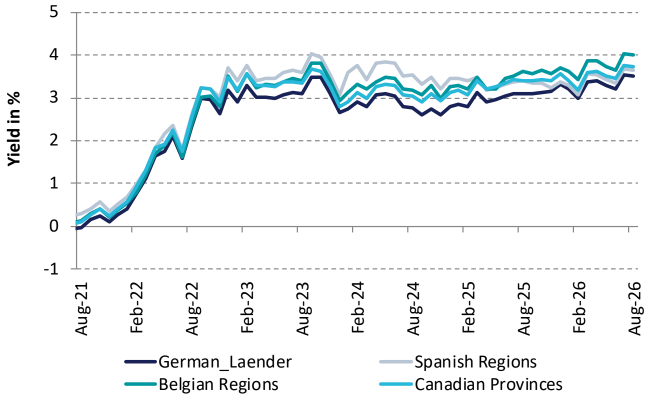
Performance and relative value
Total return and spread performance

Primary market and geopolitics as drivers of performance
In the past, spread developments in the SSA segment were primarily shaped by the Eurosystem's purchasing activities under the APP and the PEPP. At the end of 2024, reinvestments under the PEPP were also terminated, and since then the ECB has focused on continuously reducing the portfolio holdings. German Laender bonds were among the most popular SSA securities under the purchase programmes, with the lack of demand subsequently evident in the form of rising risk premia. Furthermore, new issuance activities on the part of sub-sovereigns increased, which served to further fuel the repricing movement in this segment. While the spreads on German Laender bonds progressively narrowed across the course of 2025, returning by year-end to levels comparable with those last seen in the autumn of 2024, they have essentially trended sideways in 2026 in spite of geopolitical developments and growing monetary policy challenges. The lower issuance volume seen so far this year compared with previous years is not least likely to have contributed to this trend. In contrast, yields on bonds issued by the German Laender increased notably following the outbreak of the Iran conflict, driven by higher inflation expectations and fears of stagflation. Overall, however, despite some interim portfolio reallocations, no pronounced "flight-to-quality" effect was in evidence within the European SSA segment, with the majority of investors primarily seeking safety in gold and the USD. Nevertheless, the overall increase in yield levels is likely to enhance the attractiveness of SSA bonds in general and, consequently, of those issued by the German Laender, thereby further supporting the already strong demand for debt securities issued by German sub-sovereigns. In comparison with other (European) jurisdictions, too, it is clear that the Laender remain the benchmark within the sub-sovereign segment; this is not only down to their noticeably less volatile spread performance but also to their consistently lower risk premia. By contrast, significant spread widening up to the end of 2024 was seen in relation to the Belgian and Spanish regions, although their risk premia have remained largely stable in the more recent past.

Spread development of sub-sovereigns (10y)



Yield performance of sub-sovereigns (10y)



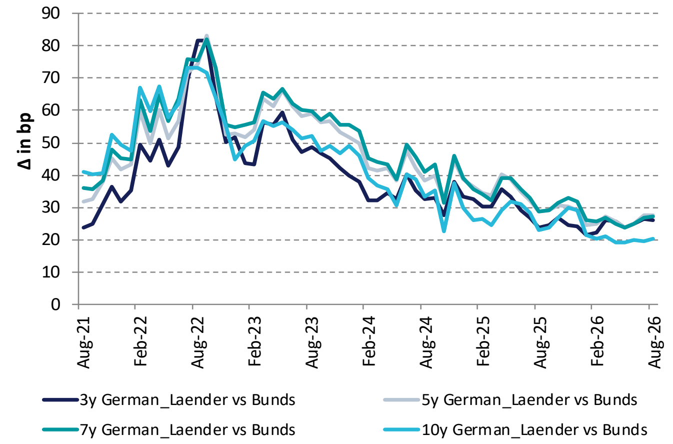
Source: Bloomberg, NORD/LB Floor Research

Performance and relative value Laender bonds – a comparison

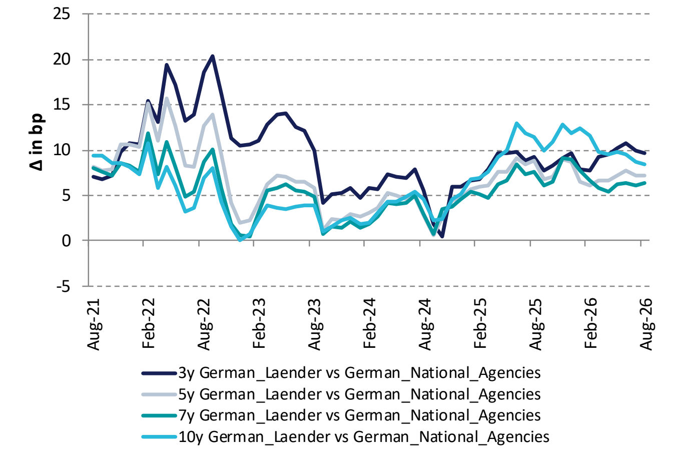
Relative attractiveness versus Bunds falls further

Before the Eurosystem launched its purchase programme in March 2015, in the German SSA segment, Laender bonds traditionally offered a high level of relative attractiveness compared with Bunds. Even though the PSPP had already exerted a considerable influence on the Laender segment, there were still premia to be found on occasion. Launched in 2020, the PEPP ensured further spread compression in this segment – although this was mainly among the Laender themselves, and less in comparison with German sovereign bonds. However, for a few years now, narrowing of this kind has also been seen between Bund and Laender, with the result that German Laender bonds have gradually lost ground in terms of relative attractiveness. While spread premia can still be found, these are currently at low levels (+25bp (5y) and +19bp (10y), depending on the maturity) and are increasingly approaching their historic lows. In this context, the spread tightening observed since 2025 appears to be primarily driven by a structural repricing of German govies as a result of extensive investment programmes and the associated federal borrowing, and less by the relative strength of the German Laender: for example, against the backdrop of increasing issuance activities, Bunds have in part lost their traditional scarcity and safe-haven premia. From a relative value perspective, however, the attractiveness of Laender bonds compared with bonds issued by national agencies has increased significantly over time: while the pick-up in this constellation in the 10y maturity segment was around +2bp in October 2024, German Laender bonds currently offer a premium of +8bp, although this was as high as +12bp – on average – at the beginning of the year. While there has been a marked degree of volatility in the risk premia of regional promotional banks versus the Laender in recent years, this has tended to decline. While the agencies with a guarantee from a sub-sovereign offered a pick-up of around +6bp in the 10y segment at the time of publishing last year's edition of this issuer guide, by the beginning of this year it had fallen to almost +4bp and currently stands at approx. +3bp.

Relative value: German Laender vs. Bunds

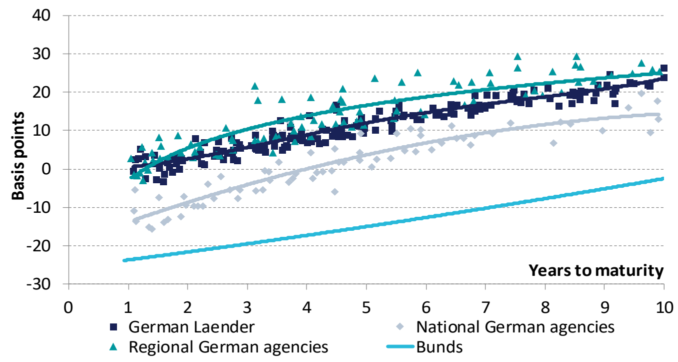


Relative value: German Laender vs. promotional banks

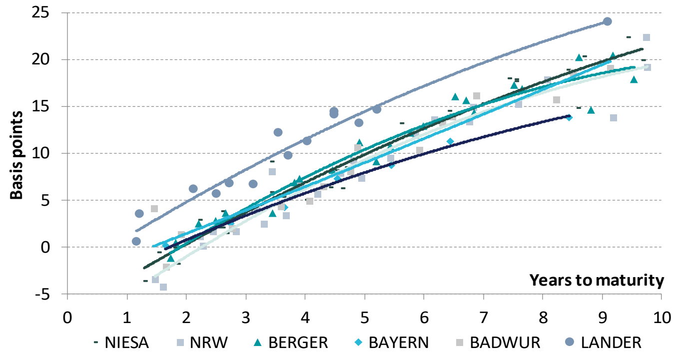


Source: Bloomberg, NORD/LB Floor Research

German Laender vs. promotional banks and Bunds



ASW spreads – a comparison



NB: Residual term to maturity ≥1 year and ≤10 years; minimum outstanding volume of EUR 500m.
National agencies: KFW, RENTEN. Regional agencies: NRWBK, LBANK, BAYLAN, IBB, BYLABO, WIBANK, among others.
Source: Bloomberg, NORD/LB Floor Research

Hardly any differences between the individual Laender

However, given the strong institutional framework and proximity to the German federal government (Bund), a direct comparison of sub-sovereigns reveals hardly any spread differences, despite the fact that, from a fundamental perspective, larger differences in risk premia would certainly be justified. Nevertheless, in general it can be stated that the refinancing costs for financially strong Laender such as Bavaria, Hesse and Baden-Wuerttemberg are slightly more favourable than those for sub-sovereigns confronted by fiscal challenges, e.g. Bremen and Saarland.

Impact of the “relaxed” debt rules

Even though cracks are now beginning to appear in economic and fiscal frameworks in Europe, there are likely to be some beneficiaries in this situation. In our view, the German Laender are among these beneficiaries, as they continue to benefit from a strong institutional framework and a high-quality credit profile. The solvency of the Bund and its sub-sovereigns is likely to remain the best among Eurozone public issuers, while neither the changes to the debt brake adopted last year nor the special fund for infrastructure and climate neutrality are likely to alter this status in any material way in the near future. In the long run, however, rising debt levels are likely to place a considerable burden on the budgets at the level of both Bund and Laender. In this sense, a lot will depend – not least in relation to credit ratings – on how the newly gained financial leeway is actually utilised: if the investment drive fizzles out because the funds are used to plug other budgetary gaps rather than for additional investment, the special fund will descend into nothing but a shunting yard for reallocating liabilities that would clearly fail to bring about desired economic growth stimulus. Nevertheless, the persistently high demand for new issues seen in the current year shows that the regulatory and economic advantages (liquidity, safety) offered by German Laender bonds remain attractive to investors – albeit primarily as an “anchor of stability” within their portfolios.

ESG: upside potential remains despite record year in 2025

Green light for ESG bonds from German Laender

ESG bonds have become a firm fixture on the international capital markets as a commonly used refinancing instrument. We most recently published a study dealing with the global ESG bond market in June 2026 (cf. NORD/LB Fixed Income Special – ESG Update 2026). When it comes to the trend towards bonds with ESG aspects, the German Laender are refusing to be left behind. For example, North Rhine-Westphalia recognised the potential of this segment as early as 2015, when it issued an inaugural sustainability bond. Since then, NRW has been an annual issuer of sustainability bonds on the primary market. In 2021, Baden-Wuerttemberg and Hesse joined the ranks of ESG issuers, each opting to issue a green bond. In 2023, the German capital Berlin (sustainability) as well as Saxony-Anhalt (social) then became the fourth and fifth Laender respectively to be included on the list of ESG bond issuers. We expect Hamburg to round the number up to six in the near future. In the short to medium term, we expect further Laender to conduct refinancing activities on the capital market via ESG bonds as sustainability considerations have become an integral part of political initiatives and are also becoming more important for institutional investors. Hesse, for example, explicitly included this as an objective in its state constitution in 2018 (cf. Art. 26c, Constitution of Hesse): “The state, municipalities and associations of municipalities shall take into account the principle of sustainability in their actions in order to safeguard the interests of future generations.” Conversely, the increased effort and associated costs in terms of the more extensive reporting requirements could well represent an obstacle for some German sub-sovereigns. The total volume of ESG bonds issued by the German Laender currently amounts to EUR 35.0bn, with sustainability bonds from NRW accounting for the largest share.

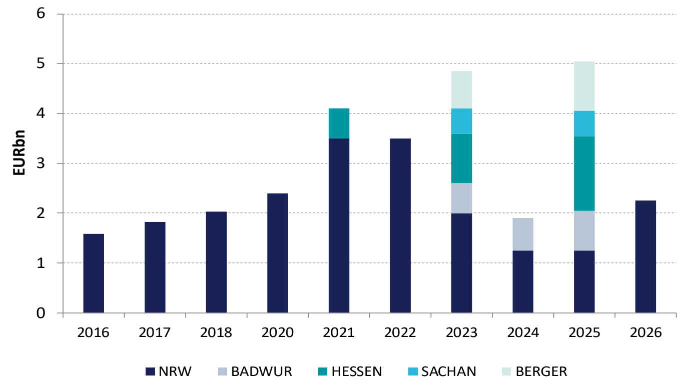
Green, Social and Sustainability – a classification

Three forms of ESG bonds have become particularly well established on the capital market: green bonds, social bonds and sustainability bonds. The respective designation indicates the primary target being pursued: specifically, green bonds revolve around environmental protection goals. For example, this can take the form of promoting the use of renewable energy or the financing of regional and long-distance public transport projects through more environmentally friendly drive options. In contrast, social bonds are used (as you might expect) in connection with social projects. These are reflected, for instance, in the promotion of social housing projects or in measures aimed at reducing unemployment. Sustainability bonds, on the other hand, are regarded as all-rounders and the projects supported can be of both an ecological and social nature. Projects that are fundamentally eligible for financing through sustainability bonds are to be found in the corresponding issuer frameworks: these tend to be closely linked to the respective Guidelines of the International Capital Market Association (ICMA). The goals of the respective frameworks are primarily based on the UN Sustainable Development Goals (SDGs) and the respective category of the Green Bond Principles (GBP), Social Bond Principles (SBP) or Sustainability Bond Guidelines (SBG). In addition to the corresponding use of proceeds, the respective ICMA guidelines also provide guidance on the process of project evaluation and selection, management of proceeds and reporting.

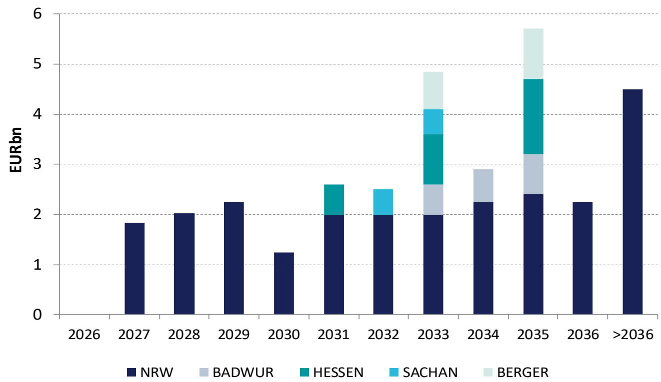
Issuance activities dip again following record level in 2025

Since the first sustainability bond was issued by North Rhine-Westphalia in 2015, the popularity of this segment has grown on a continuous basis, with additional bonds being placed on the market each year. In 2021, the Laender of Hesse (EUR 600m) and Baden-Wuerttemberg (EUR 300m) each issued a green bond. In May 2022, it was once again Baden-Wuerttemberg that took centre stage by placing another green bond (EUR 350m) and offered the prospect of further green issues in the future. In late 2022 and mid-2023, Berlin (EUR 750m) and Saxony-Anhalt (EUR 500m) initially published their frameworks before then issuing fresh ESG bonds in benchmark format. In addition, after offering two sub-benchmark deals in the two preceding years, BADWUR then also succeeded in issuing its first green benchmark in June 2023. In 2024, there was a notable decline in the volume of new ESG deals placed by the Laender. An aggregated amount of just EUR 1.9bn was placed on the market in 2024, reflecting a significant decline compared with 2023 (EUR 4.9bn). This came as little surprise, as each ESG bond must always be supported by a sufficient number of eligible projects. Most German Laender with an ESG focus, for example, only issue a benchmark bond every other year. In 2024, fresh supply was recorded in the form of a green bond and a sustainability bond placed by BADWUR and NRW, although for a long time there were serious doubts as to whether any ESG supply would be forthcoming from the Laender segment at all, as both new issues were only launched towards the end of October. Last year, the Laender achieved a new record level in this segment: SACHAN first approached investors with a social bond in May, with Hesse then following suit in June with a fresh green bond. In the second half of the year, NRW, BADWUR and BERGER all provided replenishment in sustainable format. In total, around EUR 5.1bn in ESG bonds was issued in 2025. So far in 2026, only NRW has been active on the market, issuing a sustainability bond with a volume of EUR 2.25bn.

ESG issuance volumes over time (EURbn)



Maturity profile of ESG bonds (EURbn)



Source: Bloomberg, NORD/LB Floor Research

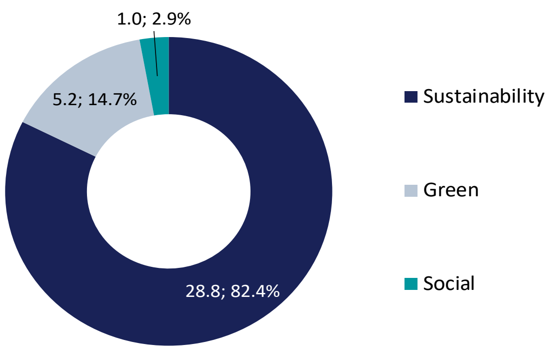
New ESG issues in a state of flux: broad spectrum of maturities

The ESG bonds issued by the German Laender exhibit a broadly diversified maturity profile, whereby the terms of the securities placed range from five years (issued in 2024; maturity: 2029) to 30 years (issued in 2022; maturity: 2052). The majority of the transactions feature a term to maturity of ten years, as seen in the most recent issuance from NRW in April. However, in previous years the Laender have tended to favour slightly shorter terms to maturity for their issuance activities: for example, NRW placed an ESG bond with a term of five years in both 2024 and 2025. In May 2025, SACHAN also placed its first 7y bond in nine years. As such, the Laender are pursuing the goal of building a liquid ESG benchmark curve over the medium to long term.

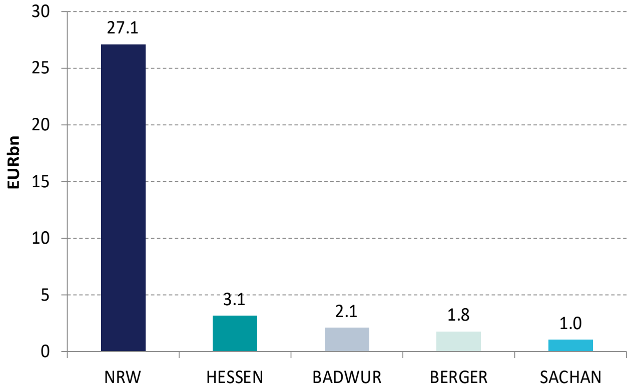
Data situation: sustainability ahead of green

Due to the early participation of North Rhine-Westphalia in the ESG market in the form of sustainability bonds, it is hardly surprising that this ESG format boasts by far the largest volume recorded to date (EUR 28.8bn; 82.4%). However, the six green bonds issued by the Laender since 2021 (purely social bonds were only added by SACHAN in 2023) are likely to mark only the beginning of the story here, with the volume of EUR 5.2bn issued so far representing around 14.7% of the total volume. The remaining amount of EUR 1.0bn or 2.9% is therefore attributable to SACHAN's social bonds. The initial lack of social bonds is perhaps slightly misleading: After all, given that NRW and Berlin issue sustainability bonds, social aspects are also included in the use of proceeds here. For example, the bond issued by North Rhine-Westphalia in 2022 covered aspects such as affordable local public transport and the promotion of affordable housing.

ESG volume by category (EURbn)



ESG volume by federal state (EURbn)



Source: Bloomberg, NORD/LB Floor Research

Frameworks – similarities and differences (I)

The issuers' frameworks all comply with the ICMA Principles. As already mentioned, the Laender of BADWUR and HESSEN (to use their tickers) have issued green bonds and published corresponding green bond frameworks in addition to having had them assessed by a second party opinion; NRW and BERGER have been through the same process with their Sustainable Bond Frameworks. The content is therefore geared towards the four ICMA pillars, namely use of proceeds, process for project evaluation and selection, management of proceeds and reporting. While HESSEN and BADWUR have a corresponding focus on green finance, NRW can act more flexibly between social and environmental aspects with regard to the use of proceeds. This is also reflected in the project selection to date: broken down into the categories of the ICMA's Green Bond Principles, for example, the majority of Hesse's first green bond proceeds went towards "clean transport" (73%), followed by "sustainable (waste)water management" (13%). Meanwhile, another 8% is attributable to the category of "environmentally sustainable management of living natural resources and land use". A similar distribution of the use of proceeds can also be seen in Baden-Wuerttemberg: the highest proportion (33.6%) is attributable to the category "green buildings", followed by the area of "energy efficiency" at 27.4%. The categories of "clean transport" and "sustainable (waste)water management" accounted for shares of 15.4% and 8.4% respectively.

Frameworks – similarities and differences (II)

From mid-2023 onwards, Saxony-Anhalt became active in the social bond market via a corresponding Social Bond Framework. The federal state emphasises that the issuance proceeds will be used for social projects related to combating the effects of the COVID-19 pandemic and to support future pandemic resilience. This includes, among other aspects, strengthening the healthcare system, promoting education and research, improving societal integration and the labour market situation, as well as measures aimed at increasing resilience through digitalisation. Accordingly, a significant part of the expenditure underlying the framework comes from the special COVID-19 fund set up on 15 December 2021. The 60 individual projects already included – divided into individual years – trigger payment flows within five years until 2027. Reporting on payment outflows as well as the respective status of projects is the responsibility of the Landtag (regional parliament) of Saxony-Anhalt.

EUGBS: Fresh impetus for the German Laender?

The entry into force of the European Green Bond Standard (EUGBS) represented a key milestone in the development of the ESG segment at international level. Since the end of 2024, it has been possible for issuers to place bonds in European Green Bond (EuGB) format. The use of proceeds is based on the requirements of the EU taxonomy, meaning that even stricter sustainability criteria and reporting requirements are defined than is the case under the familiar and established ICMA Principles. In 2025, we recorded the first new issuances under this label – including deals from three issuers that form part of our SSA coverage, which are rather neatly spread across our three core markets: EIB (supranational), MADRID (sub-sovereign) and IDFMOB (agency). The transaction from the Spanish region in particular underlines that the new label is also likely to be of interest to regional governments and local authorities (RGLA). We would certainly welcome a pilot project in this area from the German Laender segment, although at present we believe this is unlikely to materialise – at least in the very near future. The requisite reporting obligations are likely to represent a real obstacle to issuance activities here. Moreover, the volume of conventional green securities placed by German sub-sovereigns remains comparatively low relative to their European peers; as such, the expectation in this regard is that the Laender will initially look to increase these specific issuance activities before focusing on the new label.

Comment

Despite the increasing ESG volume in recent years, which led to a record level in 2025, we continue to identify untapped growth potential in the German Laender segment. This becomes particularly evident when considering the relatively weak level of primary market activities in both 2024 and in the current year as well. In this way, what was once a niche product with bonds solely from NRW has now already developed into an established submarket with a number of different players. Increasingly high funding requirements, due, among other aspects, to amendments to the energy transition and climate protection laws of the individual Laender, have been crucial aspects in driving this development. The ICMA Principles provide solid guidelines containing core recommendations, while external audits also ensure the appropriate use of proceeds with constant monitoring processes in place. Furthermore, while the introduction of the EU Green Bond Standard (cf. NORD/LB Fixed Income Special – ESG Update 2026) has in our view had a positive impact and is likely to continue revitalising the segment as a whole, at this point in time we do not expect the German Laender to be active with fresh deals under the new label for the foreseeable future. The simple fact alone that just five of the 16 German Laender have a corresponding framework in place underlines the inherent catch-up potential for the vast majority of the sub-sovereigns.

An overview of the German Laender

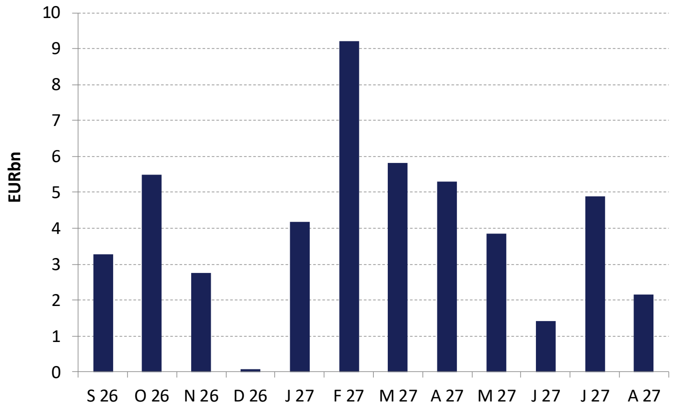
Laender segment characterised by a high degree of heterogeneity

The German Laender are characterised by a high degree of heterogeneity. Clear differences between the sub-sovereigns exist not only in terms of area, population and economic strength, they also differ significantly regarding factors such as their respective debt levels and export orientation, as well as demographic trends. Additionally, the liquidity of German Laender bonds and their ratings result in divergences, although these are at most reflected marginally due to the very minor deviations in risk premia. In the past, this spread convergence was intensified or possibly even manifested by way of the ECB's focus on bonds issued by German Laender within the framework of its asset purchase programmes (e.g. under the APP and PEPP). Reinvestments in this regard came to an end in July 2023 (APP) and at year-end 2024 (PEPP), with net purchasing activities having been discontinued at an earlier date. Since then, the ECB has been focused on steadily winding down its portfolio holdings. In the context of this significant demand position having dried up, the fundamental differences between the Laender are becoming gradually more important on the capital market again. In the discussion below, we will initially look at the overall development of the Laender, before turning our attention to the differences between them.

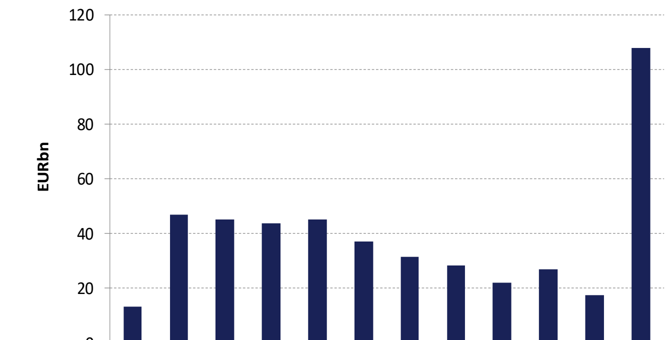
Broad EUR bond supply shapes Laender refinancing portfolios

The 16 German Laender offer a broad range of bonds as well as Schuldscheindarlehen (SSD). As at the reporting date, an outstanding volume of EUR 450.5bn is split between 851 separate bond deals. Only EUR 13.0bn (2.9%) of this amount is denominated in foreign currencies, which highlights the fact that FX bonds continue to be of minor importance when it comes to the Laender refinancing profiles. Fixed-coupon bonds (outstanding volume: EUR 401.5bn) and floating rate notes (FRN; EUR 32.8bn) dominate the Laender funding mixes. Overall, 399 EUR-denominated bonds feature an outstanding volume of EUR ≥500m and can therefore be classified as benchmark securities. In the non-public segment, loans and short-term borrowing (Kassenkredite) together account for a volume of around EUR 159.9bn. The market data is supplemented by a total of 16 Laender jumbos (EUR 16.3bn), which are placed by the Joint Laender issuance vehicle on the primary market under the LANDER ticker.

Bond amounts maturing in the next 12 months



Outstanding bonds issued by the German Laender



	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	>2036
Laender bonds	13.2	47.2	45.4	44.0	45.4	37.1	31.5	28.3	22.1	27.1	17.4	108.0

Foreign currencies are converted into EUR at rates as at 10 August 2026.
Source: Bloomberg, NORD/LB Floor Research

General information

Total debt*

EUR 578.1bn

Of which bonds**

EUR 450.5bn

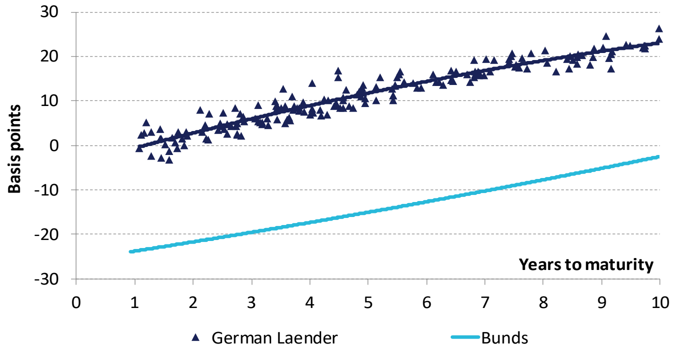
* As reported at year-end 2025

** Data retrieved on 10 August 2026

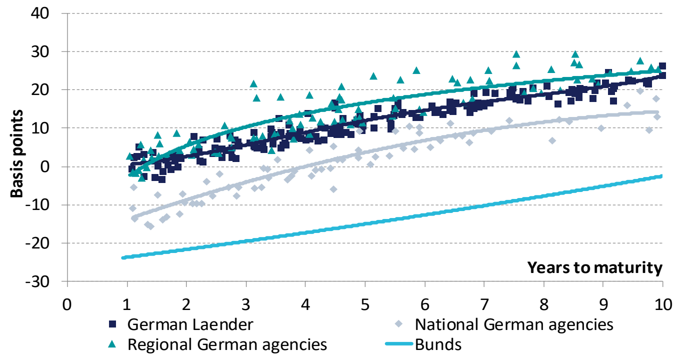
The majority of Laender maintain their top ratings

The rating agencies Fitch, Moody's, S&P as well as Scope all link their credit assessments for each of the German Laender with the rating of the German federal government (for the most part). Fitch regards the federal financial equalisation system and principle of federal loyalty in general as the dominant factors in equating the ratings directly. Scope also assigns its top rating (AAA) to all Laender, even if it is not de facto equated with the credit assessment of the federal government. According to Scope's rating methodology, the ratings of the German Laender can currently be no more than one notch below that of the Bund. Moody's also attributes significant influence to the strong institutional framework, although it also takes other aspects into consideration, with the result that the ratings are not necessarily equated. The federal state of NRW, for example, is currently rated Aa1, which is one notch below the Aaa top rating held by Germany. S&P makes a comprehensive distinction here too. Although the rating experts do factor in the federal financial equalisation system and principle of federal loyalty to their rating decisions, they occasionally diverge further from the AAA rating held by the Bund. In this context, for example, S&P continues to award NRW a rating of AA on the back of a rating upgrade in September 2019. Conversely, the rating agencies' methodologies also allow for positive deviations: if certain conditions are met, the rating of sub-sovereigns may be higher than that of the sovereign, although the uplift is generally limited to two notches, depending on the rating agency. However, this only occurs in cases of high financial autonomy and significantly better credit quality, so that this aspect essentially does not apply to the German Laender. The situation is different in Spain, for example, where the Basque Country is rated at A2 by Moody's, as against a sovereign rating of A3 for Spain.

ASW spreads vs. Bunds



ASW spreads vs. agencies



NB: Residual term to maturity ≥1 year and ≤10 years; outstanding volume at least EUR 0.5bn.
National agencies: KFW, RENTEN. Regional agencies: NRWBK, LBANK, BAYLAN, IBB, BYLABO, WIBANK, among others.
Source: Bloomberg, NORD/LB Floor Research

Relative value

Volume-weighting of the German Laender in the iBoxx € Regions

66.7%

No. of German bonds in iBoxx € Regions

172 (out of 252) [68.3%]

Pick-up versus swaps*

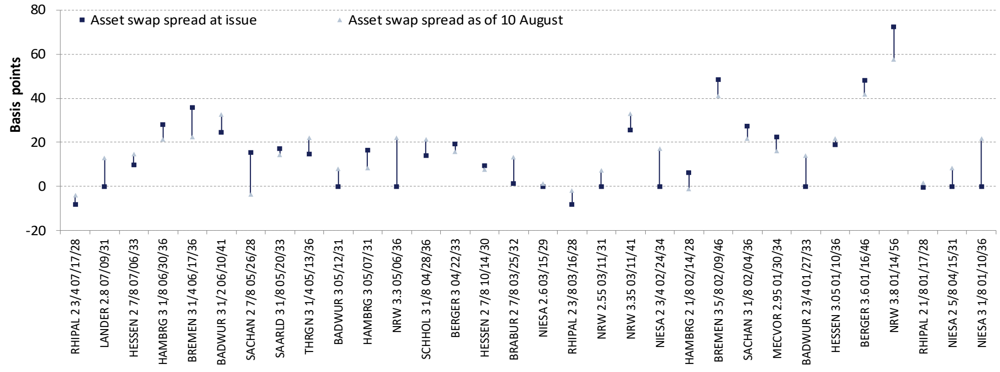
-6bp bis +30bp (Median: +12bp)

Pick-up versus Bunds*

+21bp bis +37bp (Median: +30bp)

* vs. interpolated figures;
Residual term to maturity ≥1 year and ≤10 years;
outstanding volume at least EUR 0.5bn.

Development of benchmark issues 2026 (fixed coupon)**



** Outstanding volume at least EUR 0.5bn. Bonds are not necessarily liquid.
Source: Bloomberg, NORD/LB Floor Research

Growing refinancing requirements

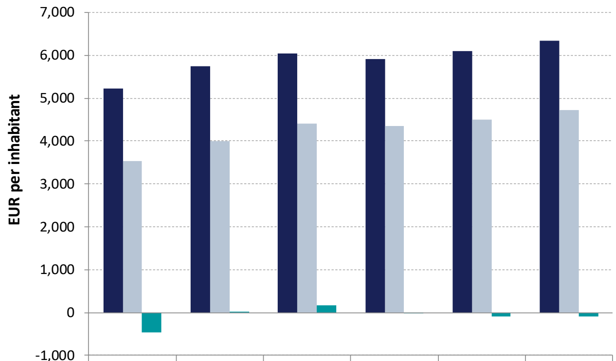
In the years prior to the outbreak of COVID-19, new issuance activities of the German Laender were at a high level, albeit on a downward trend. Due to the pandemic, the funding requirement suddenly soared, although this was gradually reduced to the pre-pandemic level in the years that followed. At present, the Laender are confronted by a range of economic and structural challenges, meaning that the accumulation of debt via the capital market is likely to increase again. The most important funding instruments here are bonds and SSD deals, whereby public sector securities in benchmark format are used just as frequently as large-volume private placements. For 2026, the German sub-sovereigns have communicated gross credit authorisations in the amount of EUR 75.7bn. Given the additional annual leeway for new borrowing (0.35% of GDP), the gross figure may initially appear modest; however, the net amount of EUR 16.7bn currently reported is the highest since 2021 (EUR 42.7bn) and represents an increase of more than +70% on the prior year.

Credit authorisations of German Laender in 2026 (EURbn)*

	Gross	Net
Baden-Wuerttemberg	5.4	-
Bavaria	0.7	-0.1
Berlin	10.0	4.0
Brandenburg	2.9	1.3
Bremen	1.6	0.3
Hamburg	5.3	2.6
Hesse	7.5	2.5
Mecklenburg-Western Pomerania	1.0	1.0
Lower Saxony	7.7	0.0
North Rhine-Westphalia	17.5	3.5
Rhineland-Palatinate	5.5	0.4
Saarland	2.0	0.1
Saxony	0.5	0.0
Saxony-Anhalt	2.8	-0.3
Schleswig-Holstein	3.5	0.5
Thuringia	1.8	0.9
Total	**75.7**	**16.7**

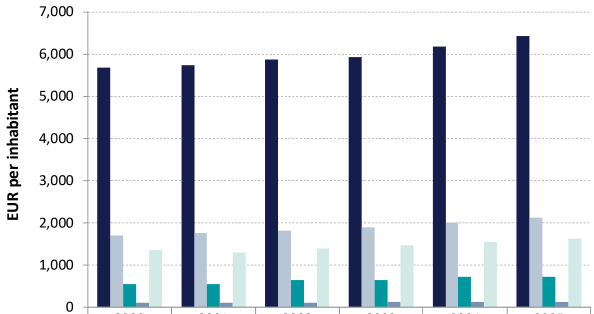
* Some figures are rounded and/or provisional; as at 07 July 2026
Source: Bloomberg, NORD/LB Floor Research

Development of revenues



	2020	2021	2022	2023	2024	2025
Operating revenue	5,217	5,752	6,046	5,912	6,094	6,336
Tax revenue	3,540	4,003	4,409	4,348	4,497	4,726
Deficit/surplus	-465	10	165	-11	-90	-93

Development of expenditures



	2020	2021	2022	2023	2024	2025
Operating expense	5,681	5,742	5,882	5,923	6,184	6,429
Staff expenditure	1,703	1,756	1,822	1,884	2,013	2,122
Capital expenditure	542	546	641	636	707	712
Interest expense	103	109	101	112	117	124
Grants to municipals	1,355	1,296	1,389	1,474	1,544	1,612

Source: Federal Ministry of Finance, NORD/LB Floor Research

Budget figures 2025

Balance (vs. 2024)
EUR -7.7bn (EUR -7.5bn)

Balance/GDP (2024)
-0.17% (-0.17%)

Balance per capita (2024)
EUR -93 (EUR -90)

Tax revenues (vs. 2024)
EUR 394.4bn (EUR +18.6bn)

Taxes per capita (2024)
EUR 4,726 (EUR 4,497)

Taxes / interest paid (2024)
38.1x (38.4x)

Total revenue / interest paid (2024)
51.0x (52.0x)

Debt level (vs. 2024)
EUR 578.1bn (EUR -18.5bn)

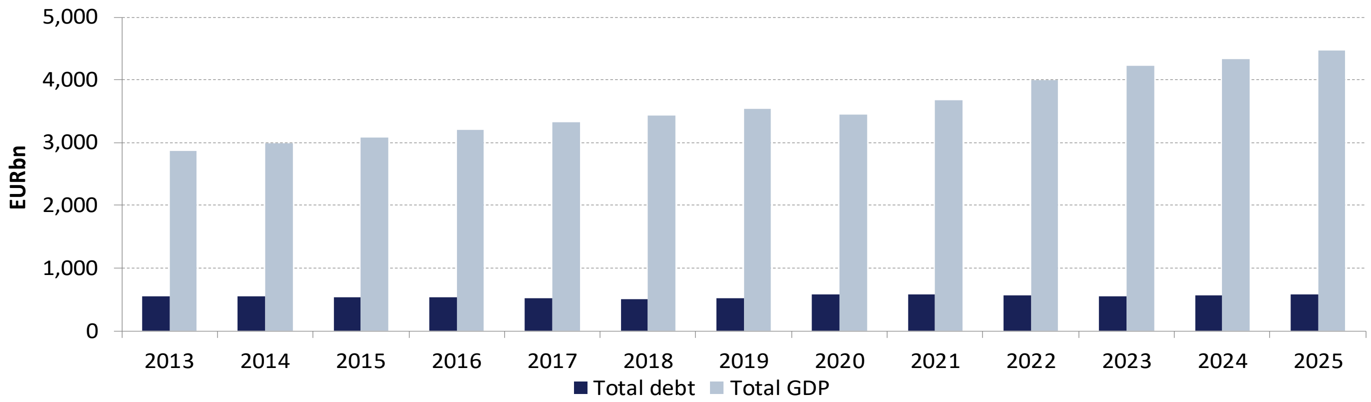
Debt / GDP (2024)
12.9% (12.9%)

Debt / revenue (2024)
1.1x (1.1x)

Development of Laender budgets

Although the budgetary position of the Laender developed in a highly positive fashion in the years prior to COVID-19, the pandemic brought this trend to an abrupt halt in 2020. While the situation did recover in 2021 and 2022, another slump set in across 2023 and 2024. In 2025, the situation stabilised somewhat, reflected in a uniform increase in both overall expenditures and total revenues of +3.8% Y/Y in each case. Growth was particularly pronounced in relation to interest expenses (+6.0% Y/Y) and personnel expenses (+5.3% Y/Y). In absolute terms, personnel expenses rose by EUR +8.9bn versus 2024 to EUR 177.1bn. Over the past five years, personnel expenses have therefore increased by +25.0% overall. In contrast, capital expenditures grew by just +0.6% Y/Y, after having increased by +11.3% in 2024. This equates to growth in absolute terms of around EUR +0.4bn. While capital expenditures in West German non-city states rose by +3.8% Y/Y, their East German counterparts recorded a decline of -10.0% Y/Y. Grants to municipalities were again up on the prior year (EUR +5.5bn Y/Y), coming in at EUR 134.6bn overall at year-end 2025. In total, overall expenditures therefore rose by an aggregated amount of EUR +19.7bn to EUR 536.6bn, while revenues increased by EUR +19.5bn to EUR 528.8bn. As a result, the budget deficit for 2025 remained on a par with the level recorded in 2024. However, over a longer period, a more positive picture emerges: total expenditures have risen by +13.6% over the last five years, while total revenues have increased by +21.9% across the same time frame. Due to the sharper increase in interest expenses compared with revenues, a lower ratio of total revenue to interest paid was recorded than in 2024 (2025: 51.0x; 2024: 52.0x). While it was a mixed picture in terms of key credit metrics at the level of both Laender and Bund in 2020 due to the COVID-19 pandemic, a recovery started to set in during 2021. However, it was again not possible in 2025 to replicate the record value for interest coverage (as measured by the ratio of interest expenditure to overall revenues) that was registered in 2022. While this metric stood at 60.1x in 2022, this had fallen to a figure of 51.0x in 2025. Moreover, tax receipts grew less dynamically than the interest burden, meaning that the ratio of taxes to interest paid accordingly came in at 38.1x in 2025 (2024: 38.4x). In contrast, debt sustainability (expressed as the ratio of debt to total revenues) has continually improved since 2010 except for 2020: after being as high as 1.9x in 2010, this had fallen to just 1.1x in 2025. Furthermore, the ratio of debt to GDP remained unchanged compared with the previous year. The ratio therefore remained at 12.9%.

Overview of Laender debt and economic output

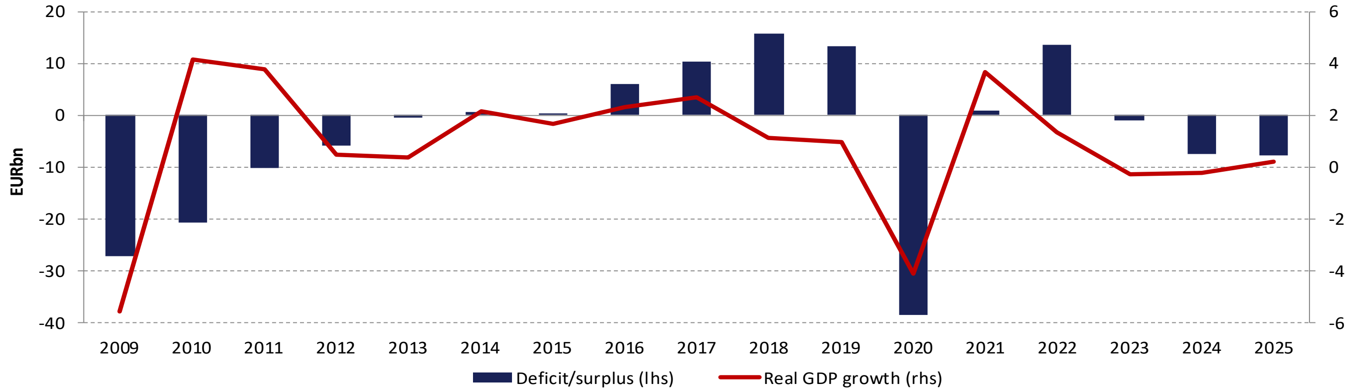


Source: Federal Ministry of Finance, national accounts produced by the Laender, NORD/LB Floor Research

Laender debt on the rise again

While the overall debt level of the German Laender has risen on a constant basis prior to 2014, from this point onwards the debt trend stabilised, before falling again in both 2017 and 2018. However, ahead of the introduction of the debt brake at the start of 2020, the majority of German sub-sovereigns made targeted use of the opportunity to incur new debt during the 2019 budget year. In 2020, this growth in debt continued due to the COVID-19 pandemic, eventually reaching a peak value of EUR 581.0bn in the 2021 budget year. In both of the following two years, liabilities then started to fall again. However, after the aggregated debt level rose by +2.1% in 2024, a further increase to EUR 578.1bn was registered in 2025, bringing it close to a record level.

Overview of Laender balances and real GDP growth



Source: Federal Ministry of Finance, national accounts produced by the Laender, NORD/LB Floor Research

Budgets remain in deficit

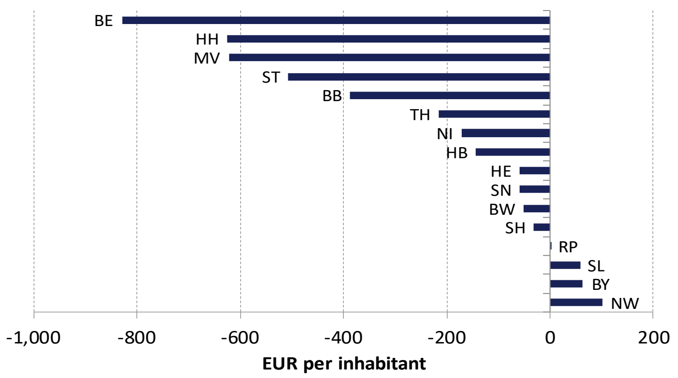
The aggregated budget balance of the German Laender has followed a significantly positive trend since 2010. Although a negative budget balance of EUR -20.8bn was posted in 2010, deficits subsequently fell on an almost constant basis. A marked change came about in 2014, before the largest surplus of the recent past was eventually recorded in 2018 (EUR +15.7bn). The COVID-19 pandemic brought this positive development to an abrupt end: at EUR -38.6bn, the largest deficit in recent times was recorded in 2020. The primary drivers of this development were, in particular, falling tax receipts (-4.9% on average across Germany) and a huge rise in expenditures (+18.9% on average across Germany). In 2021, a sharp rise in tax revenues (+13.2%) and only a marginal rise in expenditures (+1.2%) meant that a positive budget balance of EUR +1.0bn was recorded. The following year, a considerable surplus of EUR +13.7bn was registered. However, this positive trend could not be sustained in 2023: the aggregated budget balance of the Laender fell by EUR -14.6bn resulting in an overall deficit of EUR -0.9bn. In 2024, this decline was exacerbated, with the result that the deficit worsened by a further EUR -6.6bn to stand at EUR -7.5bn overall. In 2025, the deficit remained largely stable, amounting to EUR -7.7bn by year-end. In the main, this development was due to the deficits of the city states (EUR -4.3bn) and East German non-city states (EUR -3.7bn). In contrast, West German non-city states generated a slight budget surplus, achieving a budget balance of EUR +0.3bn.

Overview of the German Laender 2025

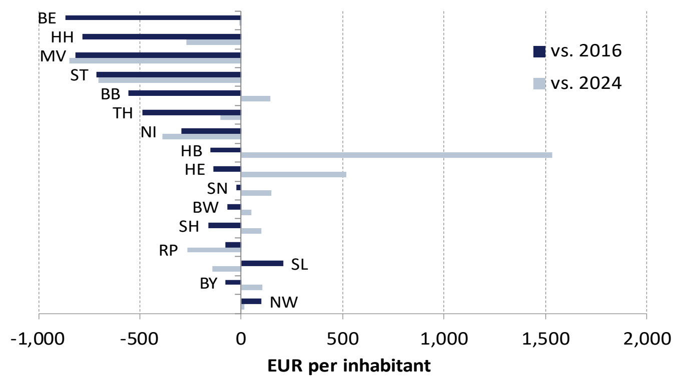
	Adjusted revenues (EURbn)	Adjusted expenditures (EURbn)	Balance (EURbn)	Debt level (EURbn)	Nominal GDP (EURbn)	Debt / GDP (in %)	Balance / GDP (in %)
BW	66.9	67.5	-0.6	36.5	667.1	5.5%	-0.1%
BY	78.8	78.0	0.8	18.2	824.2	2.2%	0.1%
BE	38.3	41.4	-3.1	64.0	218.3	29.3%	-1.4%
BB	16.1	17.1	-1.0	21.0	104.1	20.2%	-1.0%
HB	8.2	8.3	-0.1	25.8	43.0	59.9%	-0.2%
HH	22.1	23.3	-1.2	24.0	168.3	14.3%	-0.7%
HE	38.4	38.7	-0.3	46.8	382.4	12.2%	-0.1%
MV	10.5	11.4	-0.9	8.2	63.6	12.9%	-1.5%
NI	43.8	45.2	-1.4	56.1	399.4	14.0%	-0.3%
NW	106.4	104.6	1.8	160.8	909.4	17.7%	0.2%
RP	24.6	24.6	0.0	28.4	185.3	15.3%	0.0%
SL	6.3	6.3	0.0	12.5	43.2	29.0%	0.1%
SN	24.2	24.5	-0.3	5.0	168.0	3.0%	-0.1%
ST	13.3	14.4	-1.1	23.6	81.8	28.9%	-1.3%
SH	17.7	17.8	-0.1	32.1	131.2	24.5%	-0.1%
TH	13.1	13.5	-0.4	15.0	80.6	18.6%	-0.6%
Total	**528.8**	**536.6**	**-7.7**	**578.1**	**4,469.9**	**12.9%**	**-0.2%**

BW = Baden-Wuerttemberg, BY = Bavaria, BE = Berlin, BB = Brandenburg, HB = Bremen, HH = Hamburg, HE = Hesse, MV = Mecklenburg-Western Pomerania, NI = Lower Saxony, NW = North Rhine-Westphalia, RP = Rhineland-Palatinate, SL = Saarland, SN = Saxony, ST = Saxony-Anhalt, SH = Schleswig-Holstein, TH = Thuringia.
Source: National accounts produced by the Laender, Federal Statistical Office, NORD/LB Floor Research

Budget balances 2025



Change in absolute budget balances



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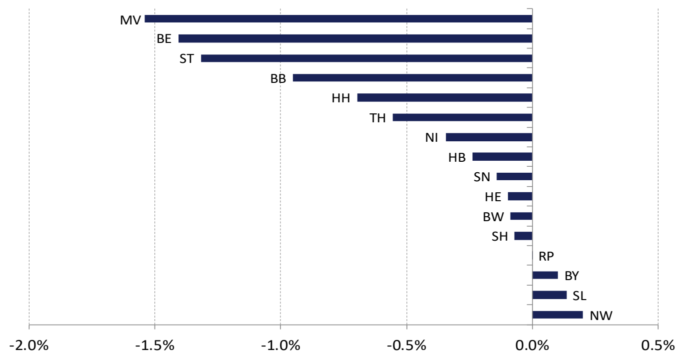
Source: Federal Ministry of Finance, NORD/LB Floor Research

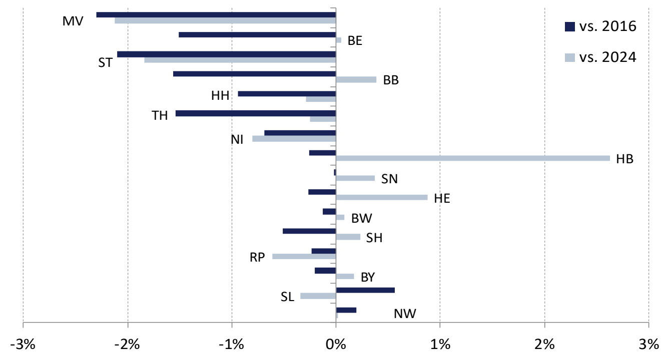
Laender balances again under pressure

The deterioration in Laender budget balances in 2023 and 2024 continued in 2025 as well, albeit on a smaller scale: the average balance per capita declined to EUR -93 (2024: EUR -90). The decline was particularly sharp versus the previous year in Mecklenburg-Western Pomerania (EUR -848) and Saxony-Anhalt (EUR -703). Conversely, Bremen's budget situation improved notably: while the budget deficit per capita amounted to EUR -1,677 in the Free Hanseatic City in 2024, for 2025 the value improved by EUR +1,532 versus the previous year. It is also noteworthy that Hamburg recorded the highest budget surplus per capita in 2022 and 2023, but now ranks in the top four Laender with the highest per capita deficits. The German Laender that posted improved values year on year in this respect included Bremen, Hesse, Saxony, Brandenburg, Bavaria, Schleswig-Holstein, Baden-Wuerttemberg, Berlin and North Rhine-Westphalia. Against the backdrop of the average budget balance again being in negative territory and a simultaneous improvement in individual Laender, the existing degree of heterogeneity with regard to budget developments was confirmed last year. The highest absolute balance in the budget year under review was achieved by North Rhine-Westphalia, which generated a cash surplus of EUR +1.8bn (2024: EUR +1.6bn). Aside from NRW, only Bavaria, Saarland and Rhineland-Palatinate recorded positive budget balances. The highest deficit – both in absolute terms and on a per capita basis – was registered by Berlin, at EUR -3.1bn and EUR -830 respectively.

Budget balances as a % of GDP



Change in budget balances as a % GDP



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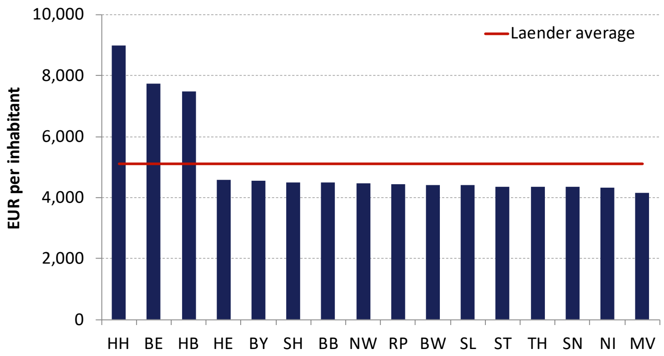
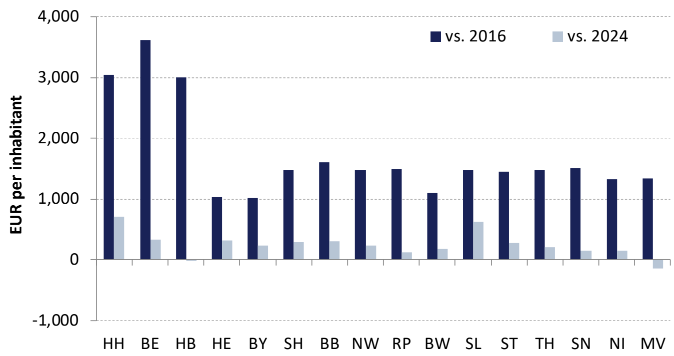
Source: Federal Ministry of Finance, NORD/LB Floor Research

Tax revenues 2025



Change in tax revenues



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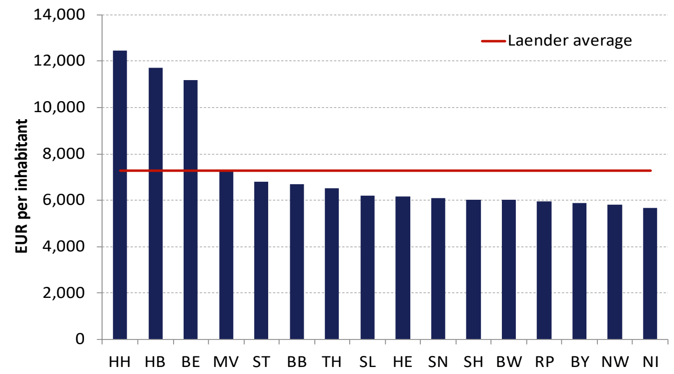
Source: Federal Ministry of Finance, NORD/LB Floor Research

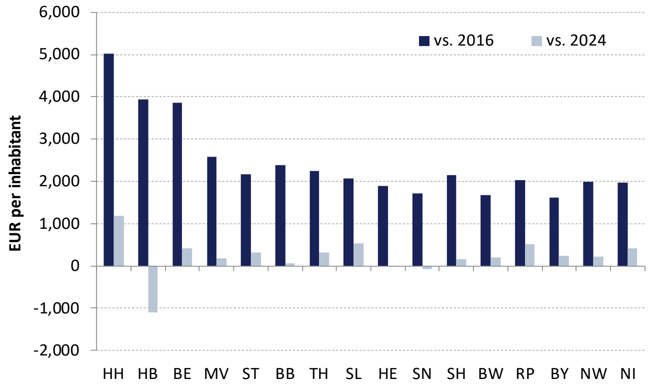
City states with highest tax revenues per capita

Regarding tax revenues per capita, the city states of Berlin, Bremen and Hamburg traditionally stand out, with all three generating above-average tax revenues relative to their population. In contrast to 2024, Hamburg was able to further extend its lead in this category, as the relative tax revenues of the Free and Hanseatic City grew markedly in the reporting year by +8.5% Y/Y, as against values of -0.2% Y/Y for Bremen and Berlin's +4.5% Y/Y. The strongest percentage growth in tax revenues per capita was, however, achieved by Saarland (+16.3% Y/Y), with Hamburg following in second place. Alongside Bremen, only Mecklenburg-Western Pomerania also recorded declining per capita tax revenues (-3.5% Y/Y).

Expenditures 2025



Change in expenditures



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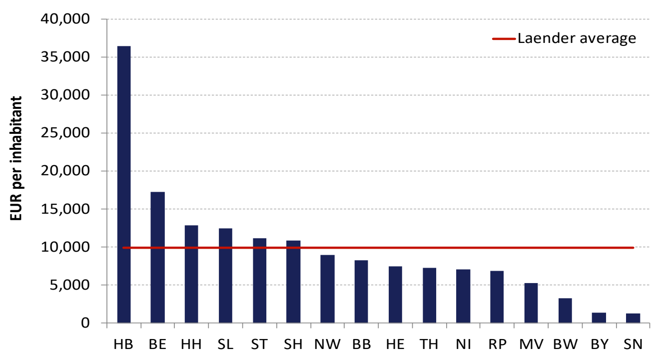
Source: Federal Ministry of Finance, NORD/LB Floor Research

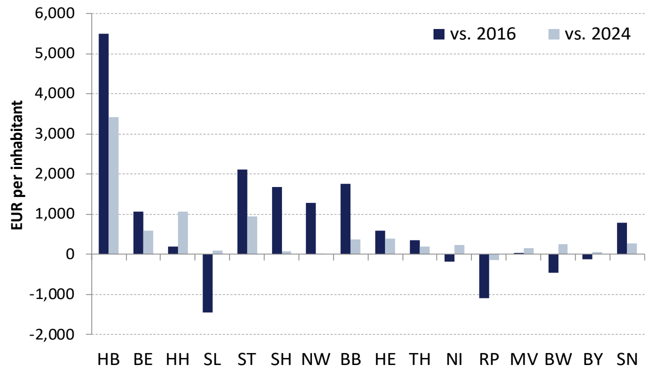
Lower Saxony again records lowest expenditure per capita

The city states also traditionally post the largest outflows in the context of per capita expenditure levels. In this respect, Hamburg tops the rankings in this category: in 2025, its expenditure per capita came to EUR 12,471 – reflecting growth of +10.4% versus 2024. As such, Hamburg is also ranked first for growth in per capita expenditure too. In contrast, Bremen managed to significantly cut expenditure per capita (-8.5% Y/Y) so that it no longer has the dubious honour of topping this particular table. However, at EUR 11,703, it still ranks second in a comparison of the Laender. Hesse (-0.3% Y/Y) and Saxony (-1.1% Y/Y) also reduced their expenditure per capita. Lower Saxony has recorded the lowest expenditure per capita since 2021. East German non-city states (average: EUR 6,558) once again post higher expenditure per capita values than their West German counterparts (average: EUR 5,901).

Debt levels 2025



Change in debt levels



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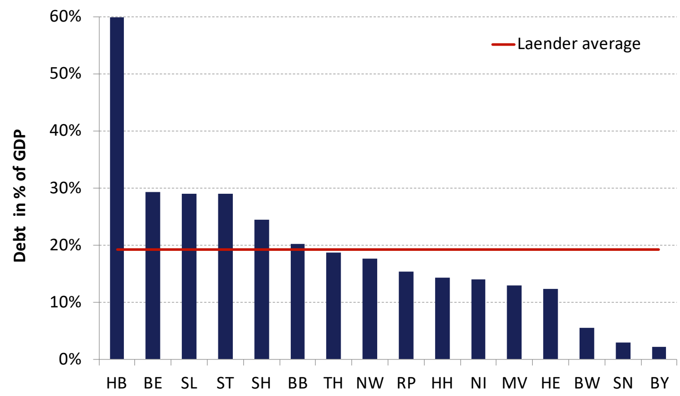
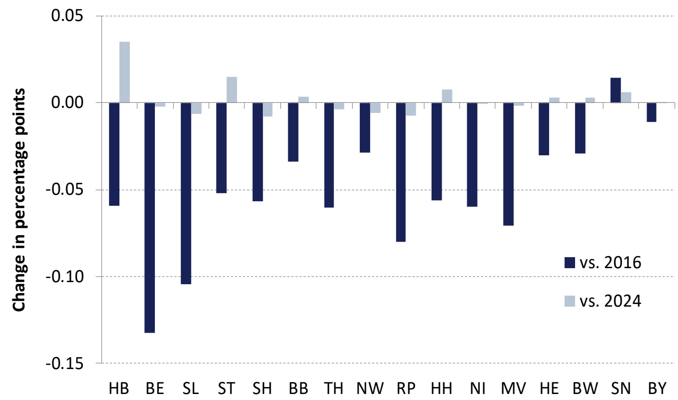
Source: Federal Ministry of Finance, NORD/LB Floor Research

Highest debt per capita in city states and Saarland
The city states and Saarland have had the highest level of per capita debt for several years. Bremen's historically weak budgetary positions have further exacerbated this development. Having previously recorded substantial growth in debt per capita in 2019 and 2020, the subsequent decline posted by the Free Hanseatic City for this metric was unprecedented in a German Laender comparison. In this context, Bremen reduced its debt per capita by EUR -20,984 in 2022 alone. However, in the years that followed, liabilities were consistently creeping up again (2023: EUR 32,189; 2024: EUR 33,016) and increased by EUR +3,425 last year, which is by far the largest absolute growth in this metric recorded by any of the other Laender. Despite the (temporary) sharp decline, Bremen's debt level is once again more than twice as high as that of Berlin (EUR 17,292), the federal state with the second highest per capita debt level. At +28.7% Y/Y, Saxony recorded the largest increase in debt per capita versus the previous year in relative terms, followed by Bremen (+10.4% Y/Y) and Saxony-Anhalt (+9.3% Y/Y). Taking the 16 German Laender as a whole, only Rhineland-Palatinate succeeded in reducing its debt per capita. In this context, it recorded an absolute decline in per capita debt of EUR -149 (-2.1% Y/Y), while the debt level across Laender rose by an average +3.4% Y/Y.

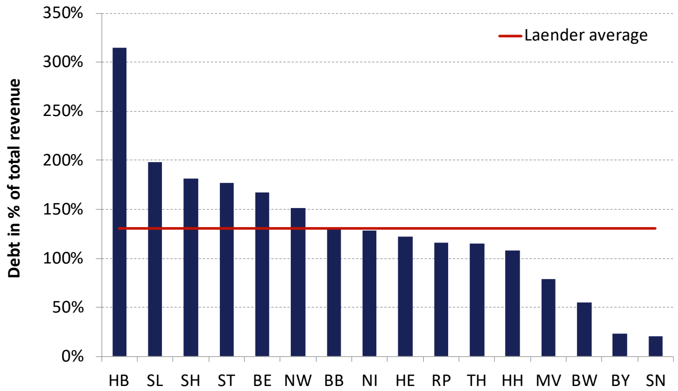
Debt / GDP ratios 2025



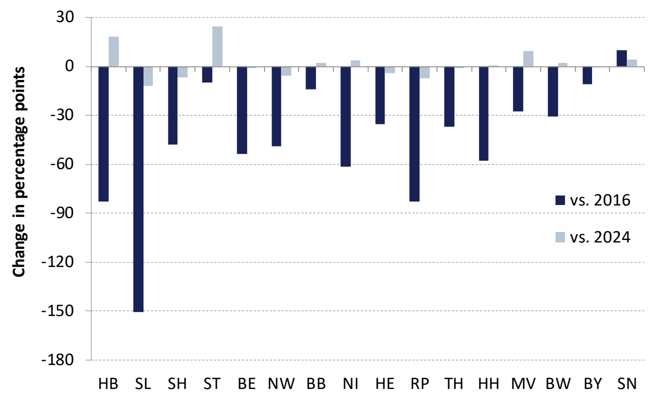
Change in debt / GDP ratios



Debt / revenue ratio 2025



Change in debt / revenue ratios



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Source: Federal Ministry of Finance, NORD/LB Floor Research

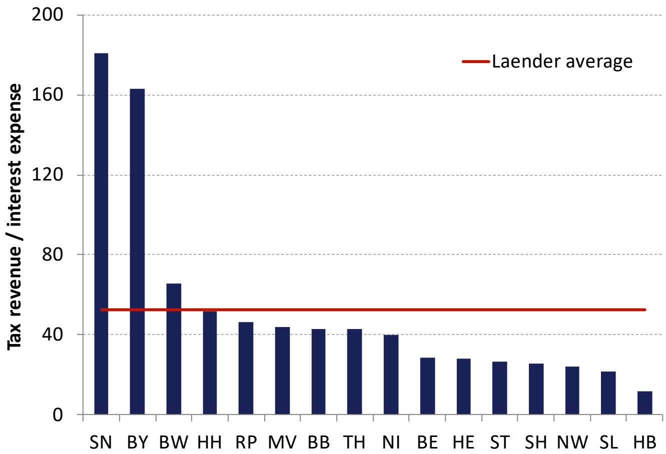
Little change in debt / revenue ratios

The ratio of debt to revenue also reveals major differences between the German sub-sovereigns. With the budgetary situation again characterised by a deficit similar to that seen in the previous year, this metric has remained virtually unchanged on average across the Laender. Tax revenues rose again in 2025, which helped to partially offset the simultaneous rise in debt. Overall, Bavaria, Berlin, Hesse, NRW, Rhineland-Palatinate, Saarland, Thuringia and Schleswig-Holstein managed to reduce their ratios in 2025.

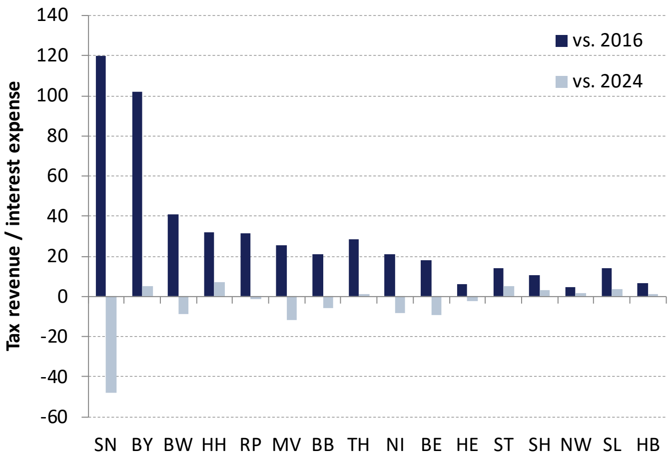
Interest coverage deteriorates on average

In 2025, higher interest expenses on the part of the German Laender (+6.0%) paired with a less pronounced rise in tax receipts (+5.0%) led to a situation in which the ratio of taxes to interest paid deteriorated in most of the German sub-sovereigns. On average, this figure now stands at 38.1% (2024: 38.4%). Nonetheless, Bavaria, Bremen, Hamburg, North Rhine-Westphalia, Saarland, Saxony-Anhalt, Schleswig-Holstein and Thuringia were all successful in improving their interest coverage metric. The decline in the average interest coverage value is essentially down to Saxony. Despite an exorbitant decline of -47.8pp, it continues, alongside Bavaria, to rank among the Laender with the best interest coverage capacity.

Ratio of taxes to interest paid (2025)



Change in the ratio of taxes to interest paid



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Source: Federal Ministry of Finance, NORD/LB Floor Research

Comment

The German Laender segment continues to represent the most important market for sub-sovereign issuers in Europe and even the world. A steady supply of fresh bonds ensures that the market offers a broad selection. Budget balances, tax revenues, debt and several key credit metrics reveal differences between the sub-sovereigns, which are quite significant in some cases. However, it is worth bearing in mind that the market environment seen in recent years has helped to conceal fundamental differences. In this context, the ECB's purchase programmes (PSPP and PEPP) particularly led to the suppression of both spreads and yields. The major economic breakdown experienced in 2020 led to a decline in revenue streams and growth in new debt. Rising energy prices due to Russia's war of aggression in Ukraine posed a huge challenge in 2022, which was then exacerbated by additional geopolitical tensions and rising interest rates over the course of 2023. This development (initially) continued into 2024, before the ECB gradually ushered in an interest rate turnaround with the first of a series of cuts to its key rates in June. Although interest rates eventually bottomed out in June 2025 and remained at that level for around 12 months, the combination of weak economic growth, a renewed return of more expensive refinancing costs and rising debt levels is likely to leave their mark on Laender budgets over the long term.

Link to the Ministry of Finance
[Homepage]

Population (2025)
11,238,761

State capital
Stuttgart

Government
Greens/CDU

Minister-President
Cem Özdemir (Greens)

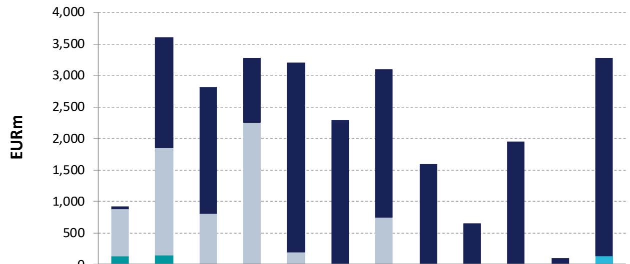
Expected next election date
Spring 2031

Ratings	**Long-term**	**Outlook**
Fitch	-	-
Moody's	Aaa	stab
S&P	AA+	stab
Scope	AAA	stab

Baden-Wuerttemberg

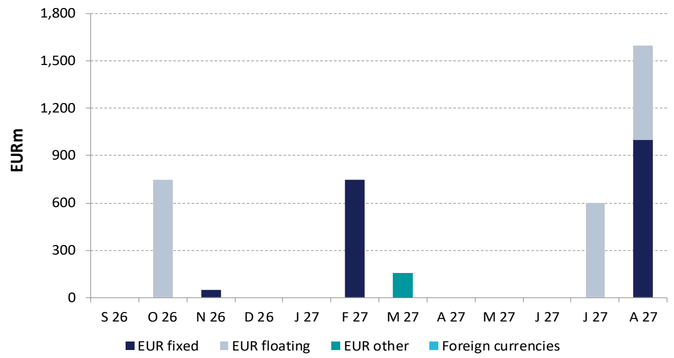
Covering a total area of 35,748km² and with 11.2 million inhabitants, Baden-Wuerttemberg is the third largest German sub-sovereign in terms of both area and population. In terms of its history, the federal state was formed in 1952 from the former regions of Wuerttemberg-Baden, Wuerttemberg-Hohenzollern and Baden by the Allied Powers in the wake of the Second World War, with Stuttgart designated as the state capital. As the eighth-largest city in Germany, Stuttgart also forms the economic heartbeat of the federal state. In addition, Germany owes much of its reputation as a world-renowned, innovative export nation to Baden-Wuerttemberg. For example, major industrial firms such as the Mercedes-Benz Group, Porsche and Bosch are located in and around the Stuttgart area. Accordingly, manufacturing industries (excluding construction) contribute more as a percentage of gross value added than in any other German federal state. To retain and continue attracting internationally renowned and established companies in the future, the sub-sovereign has been supporting entrepreneurs and start-ups via the start-up BW programme since 2017. With the aim of positioning itself as "THE Start-up LÄND", this initiative offers financial backing in addition to a range of other support measures. Patent applications constitute one indicator for the success of this programme: in 2025, just under 36% of all German patent applications originated in Baden-Wuerttemberg, more than in any other German sub-sovereign. The region's innovative power in economic terms is also underpinned by a total of 105,160 business registrations last year. Reflecting the high-level importance of technology-intensive industries, four of Germany's eleven elite-level universities are located in Baden-Wuerttemberg (Heidelberg, Karlsruhe, Konstanz and Tübingen), which serves to highlight the region's research strength even more. Since 2021, Baden-Wuerttemberg has been active on the capital market each year as an issuer of green bonds and is gradually building up a liquid ESG curve.

Overall maturity profile

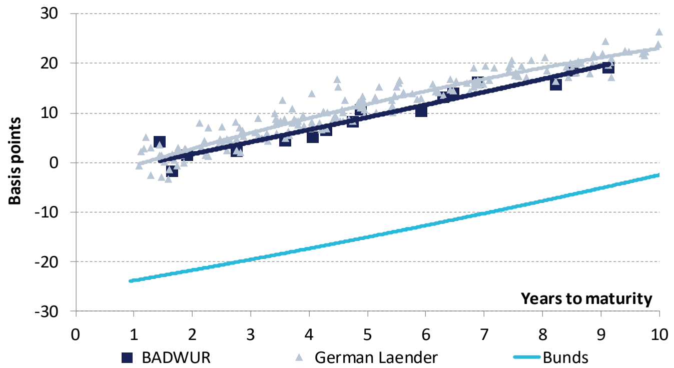


	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	>2036
EUR fixed	51	1,750	2,011	1,025	3,000	2,300	2,350	1,600	650	1,950	100	3,150
EUR floating	750	1,700	800	2,250	200	0	750	0	0	0	0	0
EUR other	128	153	0	0	0	0	0	0	0	0	0	0
Foreign currencies	0	0	0	0	0	0	0	0	0	0	0	130

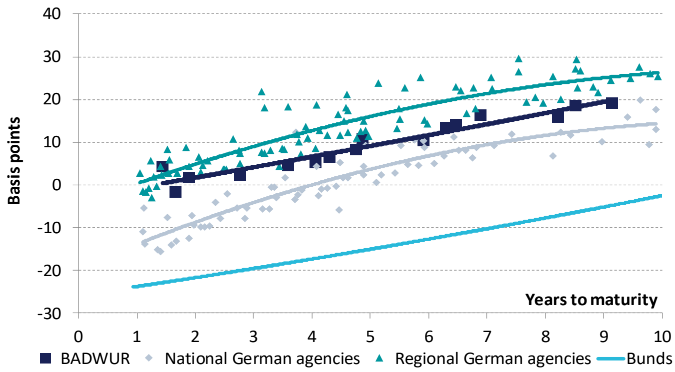
Bond amounts maturing in the next 12 months



ASW spreads vs. Bunds & peers



ASW spreads vs. Bunds & German agencies



NB: Foreign currencies converted to EUR at rates as of 10 August 2026; residual term to maturity ≥1 year and ≤10 years; outstanding volume at least EUR 0.5bn.
Source: Bloomberg, NORD/LB Floor Research

Capital market

Debt level* (ranking)**
EUR 36.5bn (12th)

Outstanding bonds
EUR 26.8bn

ESG volume
EUR 2.1bn

Bloomberg ticker
BADWUR

Economy 2025

GDP (ranking)
EUR 667.1bn (3rd)

GDP per capita (ranking)
EUR 59,357 (5th)

Real GDP growth (ranking)
-0.6% (15th)

Unemployment (ranking)
4.6% (2nd)

Key figures 2025

Tax-interest coverage (ranking)
65.7x (3rd)

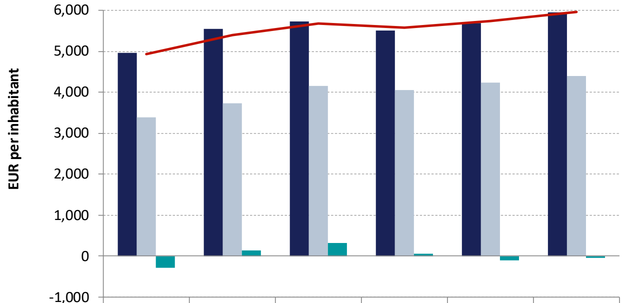
Total revenue/interest paid (ranking)
88.8x (3rd)

Debt/GDP (ranking)
5.5% (3rd)

Debt/revenue (ranking)
0.54x (3rd)

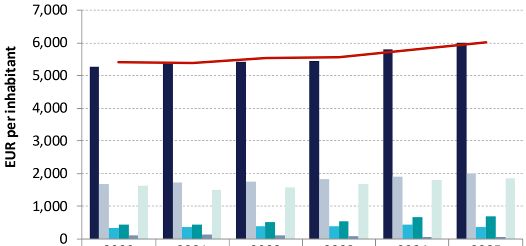
* As reported at the end of the previous year.
** Ranking of the sub-sovereign among the German Laender for the respective key figure, where 1 is the best figure in the Laender comparison.
Source: Federal Statistical Office, Federal Ministry of Finance, national accounts produced by the Laender, NORD/LB Floor Research

Development of revenue



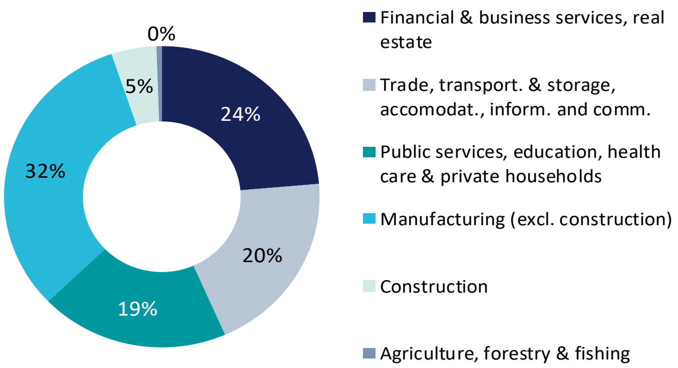
	2020	2021	2022	2023	2024	2025
Operating revenue	4,966	5,557	5,734	5,510	5,698	5,953
Tax revenue	3,389	3,739	4,156	4,062	4,229	4,403
Deficit/surplus	-296	130	311	51	-99	-51
Ø of operating revenues (non-city states)	4,940	5,401	5,680	5,571	5,748	5,962

Development of expenditure

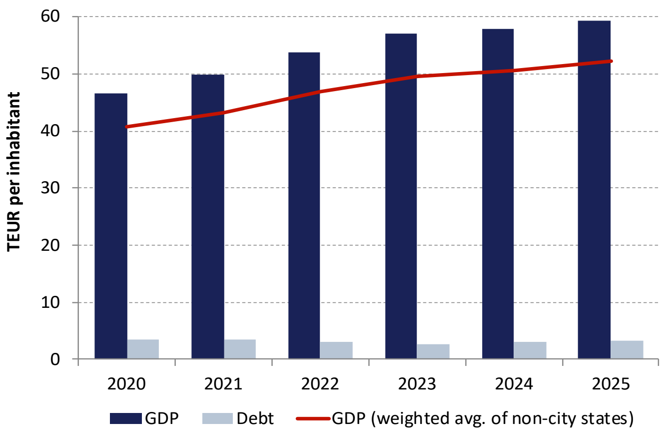


	2020	2021	2022	2023	2024	2025
Operating expense	5,262	5,427	5,423	5,459	5,797	6,004
Staff expenditure	1,688	1,720	1,750	1,822	1,920	2,005
Equalisation mechanism (net)	331	361	401	400	448	356
Capital expenditure	452	446	512	537	663	692
Interest expense	105	141	107	97	57	67
Grants to municipals	1,632	1,493	1,589	1,677	1,801	1,846
Ø of operating expenses (non-city states)	5,407	5,385	5,545	5,571	5,783	6,006

Gross value added by economic sector



Trend in GDP and debt level



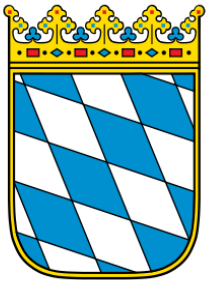
Source: Federal Statistical Office, Federal Ministry of Finance, national accounts produced by the Laender, NORD/LB Floor Research

Strengths/Chances

+ Debt sustainability and interest coverage
+ Strong, innovative and diversified economy
+ Low unemployment rate
+ High level of exports

Weaknesses/Risks

– Dependency on manufacturing sector
– Economy particularly exposed to rising energy costs
– International competitive pressure



Bavaria

With an area covering 70,542km^2, the Free State of Bavaria is the largest German sub-sovereign. With a population of around 13.2 million inhabitants, only North Rhine-Westphalia (NRW) exceeds this figure in Germany. The Free State has existed in its present form since 01 September 1955, when the district of Lindau was re-integrated into Bavaria. Only a handful of other German sub-sovereigns can boast a similarly broad industrial base. Aside from a focus on industry (mechanical and electrical engineering in addition to information and communication technology), the automotive sector is of particular importance. Moreover, 32.7% of all patents registered in Germany came from Bavaria last year, underlining the innovative capacity of the economy. In this respect, BMW AG takes the bronze medal in a national comparison with 2,553 patent applications across 2025 as a whole. In addition, nine DAX-listed companies are headquartered in Bavaria. As a global brand with international renown among tourists, Bavaria again set new records in 2025 for both guest arrivals and overnight stays. In this respect, the growth was driven by domestic tourism and increasing demand from Asia, with a particular emphasis on China. Since 2019, the Free State has registered a negative external trade balance. In 2025, imports exceeded exports by a value of EUR 2.3bn (2024: EUR 2.5bn). The sub-sovereign has always accounted for a significant share of nationwide economic output. In 2025, Bavarian GDP amounted to EUR 824.2bn, which corresponds to 18.4% of German economic output as a whole. At 4.0%, Bavaria has the lowest level of unemployment in Germany. In terms of its sustainability strategy, the Free State of Bavaria is planning investments of EUR 22bn to achieve its goal of climate neutrality by 2040. The strong economic output is also reflected in the solid budgetary position. In this context, Bavaria can claim one of the top spots for all key credit metrics in a comparison of the German Laender. The exemplary budgetary position and strong economic basis mean that Bavaria has been the most important contributor within the federal financial equalisation system for many years. However, this situation continues to harbour potential for political friction.

Bundesland & politics

Link to the Ministry of Finance

[Homepage]

Population (2025)

13,245,503

State capital

Munich

Government

CSU/Free Voters of Bavaria

Minister-President

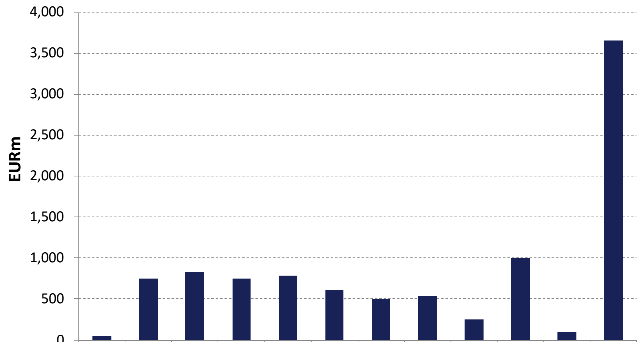
Markus Söder (CSU)

Expected next election date

Autumn 2028

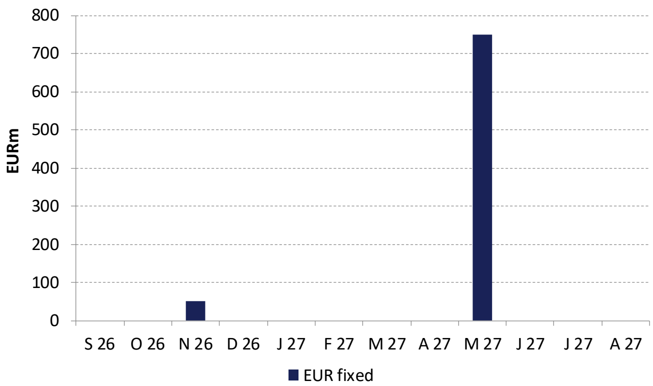
Ratings	Long-term	Outlook
Fitch	-	-
Moody's	Aaa	stab
S&P	AAA	stab
Scope	AAA	stab

Overall maturity profile

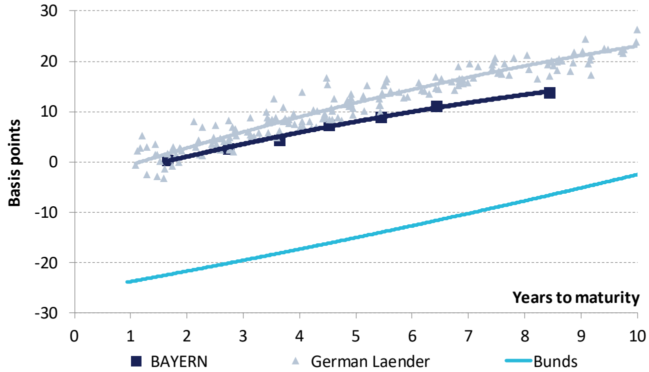


	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	>2036
EUR fixed	51	750	827	750	780	600	500	530	250	1,000	100	3,660

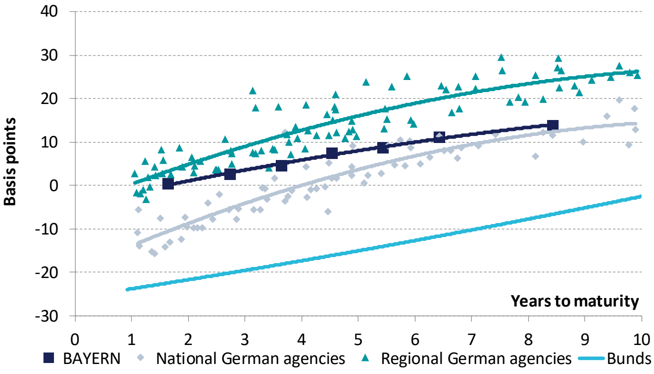
Bond amounts maturing in the next 12 months



ASW spreads vs. Bunds & peers



ASW spreads vs. Bunds & German agencies



NB: Foreign currencies converted to EUR at rates as of 10 August 2026; residual term to maturity ≥1 year and ≤10 years; outstanding volume at least EUR 0.5bn.
Source: Bloomberg, NORD/LB Floor Research

Capital market

Debt level* (ranking)**
EUR 18.2bn (5th)

Outstanding bonds
EUR 9.8bn

ESG volume
EUR 0.0bn

Bloomberg ticker
BAYERN

Economy 2025

GDP (ranking)
EUR 824.2bn (2nd)

GDP per capita (ranking)
EUR 62,228 (2nd)

Real GDP growth (ranking)
0.5% (7th)

Unemployment (ranking)
4.0% (1st)

Key figures 2025

Tax-interest coverage (ranking)
162.9x (2nd)

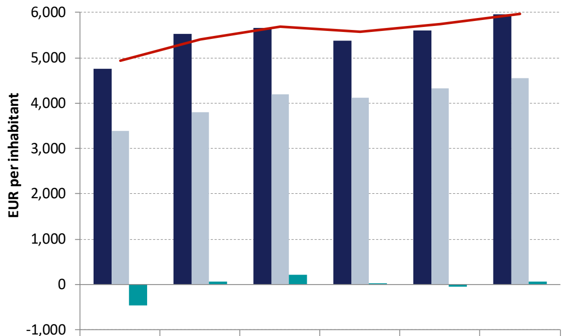
Total revenue/interest paid (ranking)
212.8x (2nd)

Debt/GDP (ranking)
2.2% (1st)

Debt/revenue (ranking)
0.23x (2nd)

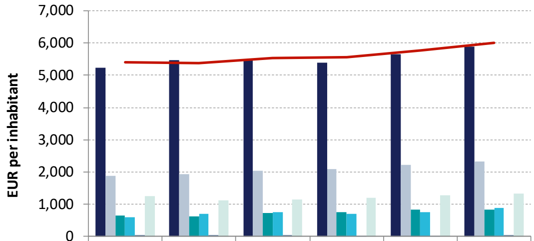
* As reported at the end of the previous year.
** Ranking of the sub-sovereign among the German Laender for the respective key figure, where 1 is the best figure in the Laender comparison.
Source: Federal Statistical Office, Federal Ministry of Finance, national accounts produced by the Laender, NORD/LB Floor Research

Development of revenue



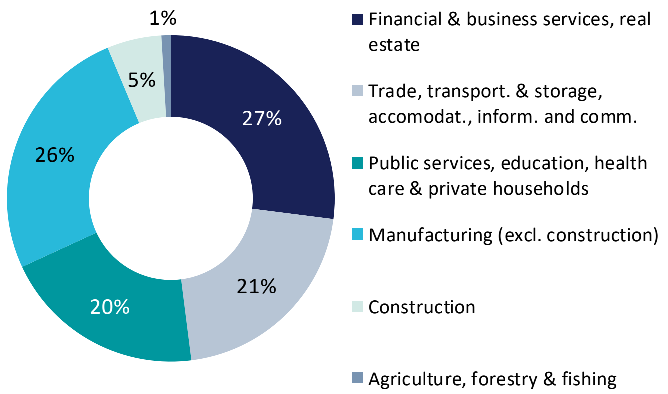
	2020	2021	2022	2023	2024	2025
Operating revenue	4,754	5,528	5,668	5,382	5,599	5,952
Tax revenue	3,384	3,801	4,193	4,113	4,328	4,557
Deficit/surplus	-467	67	209	0	-43	64
Ø of operating revenues (non-city states)	4,940	5,401	5,680	5,571	5,748	5,962

Development of expenditure

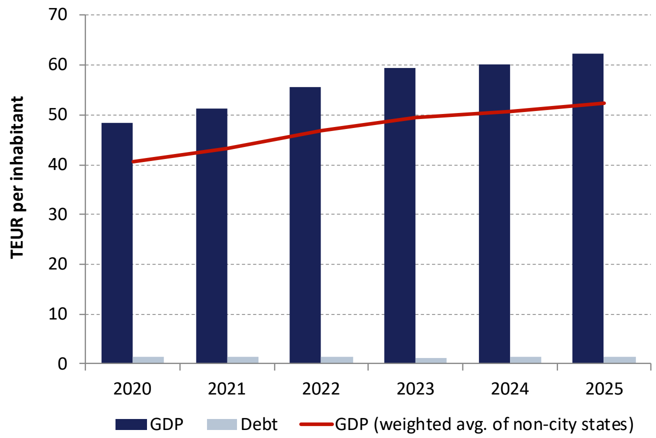


	2020	2021	2022	2023	2024	2025
Operating expense	5,221	5,461	5,458	5,382	5,642	5,888
Staff expenditure	1,883	1,937	2,023	2,091	2,206	2,335
Capital expenditure	648	628	711	758	821	828
Equalisation mechanism (net)	591	686	753	693	738	880
Interest expense	36	30	28	25	27	28
Grants to municipals	1,242	1,113	1,152	1,184	1,283	1,337
Ø of operating expenses (non-city states)	5,407	5,385	5,545	5,571	5,783	6,006

Gross value added by economic sector



Trend in GDP and debt level



Source: Federal Statistical Office, Federal Ministry of Finance, national accounts produced by the Laender, NORD/LB Floor Research

Strengths/Chances

+ Debt sustainability and interest coverage
+ Strong, innovative and diversified economy
+ Internationally competitive
+ Lowest unemployment rate

Weaknesses/Risks

– High level of pension payments and personnel expenses
– Dependency on foreign trade

Bundesland & politics

Link to the Ministry of Finance

Homepage

Population (2025)

3,700,577

State capital

-

Government

CDU/SPD

Minister-President

Kai Wegner

Expected next election date

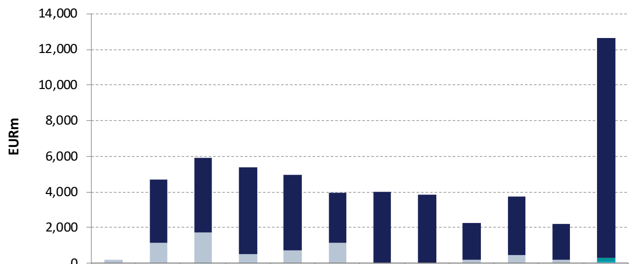
20 September 2026

Ratings	Long-term	Outlook
Fitch	AAA	stab
Moody's	Aa1	stab
S&P	-	-
Scope	AAA	stab

Berlin

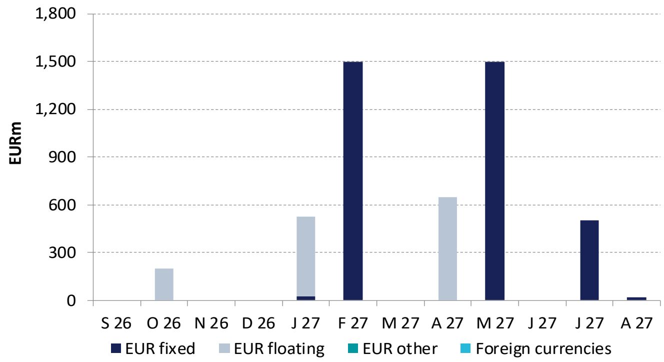
With a population of around 3.7 million people and covering an area of approx. 891km^2, the German federal capital Berlin is the most densely populated federal state in the country and the most populous city in the European Union. Following reunification in 1990, Berlin was reinstated as the federal capital of a unified Germany. The most important institutions of the federal government were then gradually relocated to Berlin from the city of Bonn, creating many new jobs in the process. Berlin is home to people from more than 190 different countries, with one in every four "Berliners" being a foreign national. The federal capital is characterised by particularly youthful demographics, whereby the proportion of the total population aged 45 or older is the lowest across Germany. Green spaces account for more than a third of the metropolitan area, making Berlin one of the greenest capitals in Europe. In future, sustainability and quality of life are to be enhanced further by the creation of additional recreation spaces. The proximity to universities and research institutions promotes the influx and investment of companies from sectors including information and communication technology, multimedia, transport technology and environmental engineering, in addition to medtech and biotech firms. Tourism, retail and the creative economy all stand to benefit from this. However, the majority of Berlin's value added is derived from the service sector, which accounted for 87% of gross value added last year. At the same time, Berlin (alongside London) is also regarded as the start-up powerhouse of Europe. Only a few cities in Europe can rival Berlin and London in terms of the infrastructure required by start-ups. Around 600 new companies are formed on average each year in Berlin. Overall, Berlin generated nearly 4.9% of Germany's total economic output last year. However, the federal capital's budget situation remains tense. This is reflected in the fact that Berlin was once again the largest recipient under the terms of the federal financial equalisation system in 2025. In order to promote the financing of the sustainable transformation, Berlin issued its inaugural sustainability bond in February 2023.

Overall maturity profile

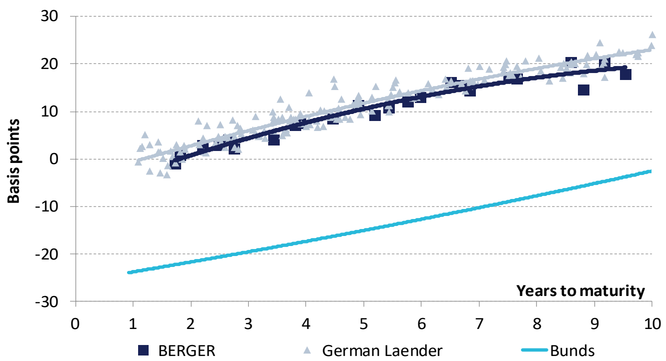


	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	>2036
EUR fixed	0	3,555	4,146	4,902	4,250	2,801	4,025	3,850	2,050	3,275	2,015	12,375
EUR floating	200	1,150	1,700	500	700	1,150	0	0	200	450	200	0
EUR other	0	0	51	0	0	0	0	0	0	0	0	200
Foreign currencies	0	0	0	0	0	0	0	0	0	0	0	86

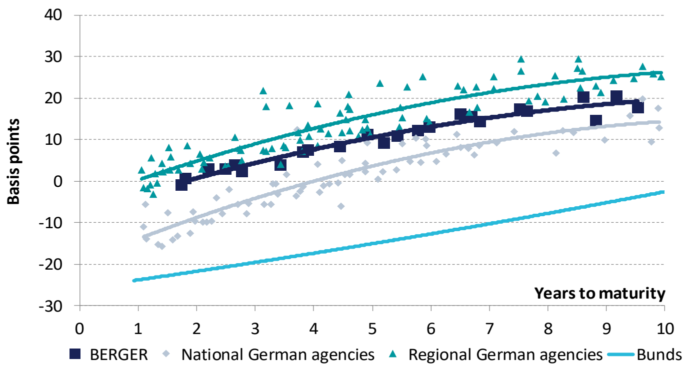
Bond amounts maturing in the next 12 months



ASW spreads vs. Bunds & peers



ASW spreads vs. Bunds & German agencies

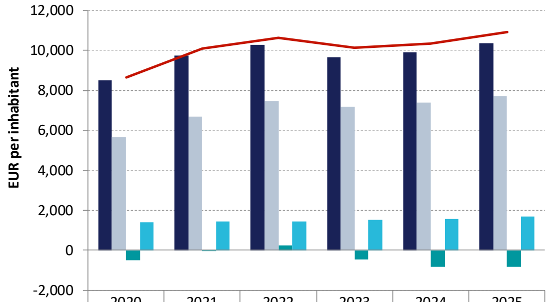


NB: Foreign currencies converted to EUR at rates as of 10 August 2026; residual term to maturity ≥1 year and ≤10 years; outstanding volume at least EUR 0.5bn.
Source: Bloomberg, NORD/LB Floor Research

Capital market	Economy 2025	Key figures 2025
Debt level* (ranking)**	**GDP (ranking)**	**Tax-interest coverage (ranking)**
EUR 64.0bn (15th)	EUR 218.3bn (6th)	28.6x (10th)
Outstanding bonds	**GDP per capita (ranking)**	**Total revenue/interest paid (ranking)**
EUR 53.8bn	EUR 58,988 (6th)	38.2x (11th)
ESG volume	**Real GDP growth (ranking)**	**Debt/GDP (ranking)**
EUR 1.8bn	1.1% (3rd)	29.3% (15th)
Bloomberg ticker	**Unemployment (ranking)**	**Debt/revenue (ranking)**
BERGER	10.3% (15th)	1.67x (12th)

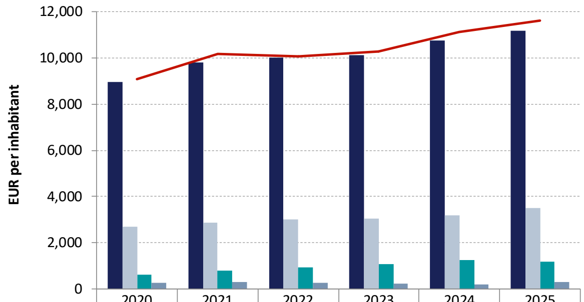
* As reported at the end of the previous year.
** Ranking of the sub-sovereign among the German Laender for the respective key figure, where 1 is the best figure in the Laender comparison.
Source: Federal Statistical Office, Federal Ministry of Finance, national accounts produced by the Laender, NORD/LB Floor Research

Development of revenue



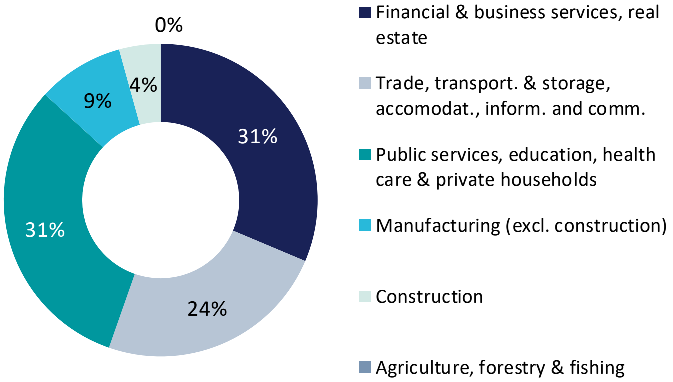
	2020	2021	2022	2023	2024	2025
Operating revenue	8,492	9,743	10,289	9,681	9,932	10,349
Tax revenue	5,658	6,704	7,493	7,199	7,409	7,744
Deficit/surplus	-484	-51	261	-461	-822	-830
Equalisation mechanism (net)	1,411	1,442	1,462	1,528	1,574	1,679
Ø of operating revenues (city states)	8,652	10,106	10,619	10,147	10,365	10,931

Development of expenditure

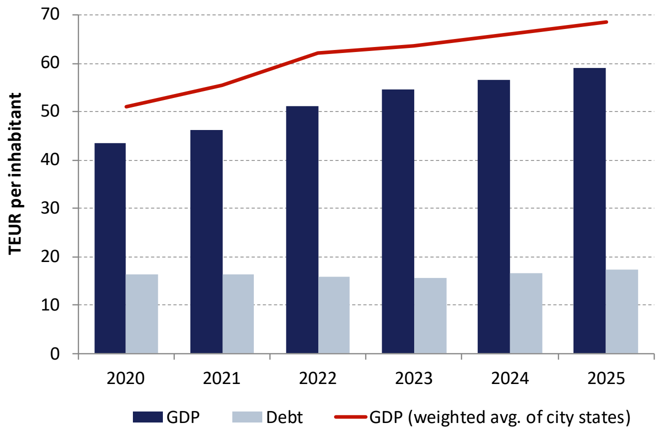


	2020	2021	2022	2023	2024	2025
Operating expense	8,976	9,794	10,028	10,142	10,753	11,179
Staff expenditure	2,690	2,857	3,012	3,050	3,165	3,501
Capital expenditure	605	793	933	1,068	1,232	1,184
Interest expense	265	295	266	201	196	271
Ø of operating expenses (city states)	9,094	10,167	10,091	10,296	11,144	11,623

Gross value added by economic sector



Trend in GDP and debt level



Source: Federal Statistical Office, Federal Ministry of Finance, national accounts produced by the Laender, NORD/LB Floor Research

Strengths/Chances

+ Solid budgetary development with constant debt level
+ Above-average economic growth
+ Attractive location for start-ups

Weaknesses/Risks

– Personnel expenses above-average in a Laender comparison
– High unemployment
– Dependency on the federal financial equalisation system

Bundesland & politics

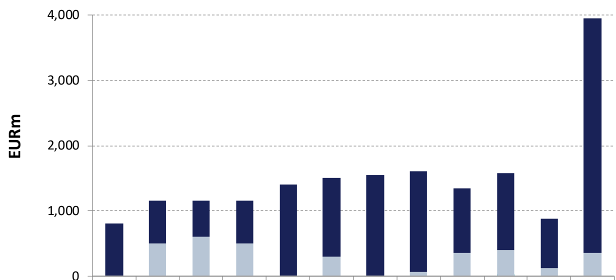
Link to the Ministry of Finance
Homepage
Population (2025)
2,551,889
State capital
Potsdam
Government
SPD/CDU
Minister-President
Dietmar Woidke (SPD)
Expected next election date
Autumn 2029

Ratings	Long-term	Outlook
Fitch	-	-
Moody's	Aaa	stab
S&P	-	-
Scope	-	-

Brandenburg

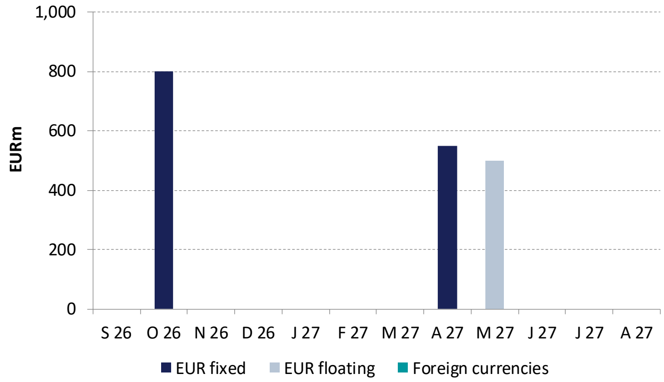
Covering a total area of 29,654km^2, Brandenburg is one of the largest Laender in Germany. At the same time, with a population of just under 2.6 million people, only Mecklenburg-Western Pomerania has a lower population density. Following the establishment of Brandenburg in its present form on 03 October 1990, a large number of companies settled around the regional capital of Potsdam, as well as the federal capital of Berlin. These businesses benefit from the well-developed infrastructure on offer in the metropolitan region. Moreover, Brandenburg is one of Europe's research hotspots, with natural sciences and engineering being of key importance in this respect. The US automotive manufacturer Tesla currently employs around 10,700 people at its gigafactory. After cutting around 14% of its workforce over the past two years following structural adjustments and cost-cutting initiatives, the company is planning to hire around 1,000 new employees in 2026 in an attempt to meet increased demand. Brandenburg is pursuing an innovative economic policy approach with a regional and sectoral focus. For example, synergy potentials are being unlocked in partnership with Berlin on the basis of the "innoBB 2025" joint innovation strategy with the aim of transforming the Berlin-Brandenburg metropolitan region into one of Europe's leading innovation centres and further bundling and expanding the strengths of both regions. Despite the creation of jobs for skilled workers, demographic development remains a core challenge for Brandenburg. No other German sub-sovereign has a lower proportion of 15 to 25-year-olds in the overall population. Following an extended phase of persistently high unemployment figures, the rate has now fallen to 6.4%, which is more or less on a par with the German average. Targeted support programmes, financed in particular by the European Social Fund (ESF), have succeeded in counteracting this situation. In 2025, economic output of EUR 104.1bn was generated in Brandenburg, which is equivalent to around 2.3% of overall German GDP.

Overall maturity profile

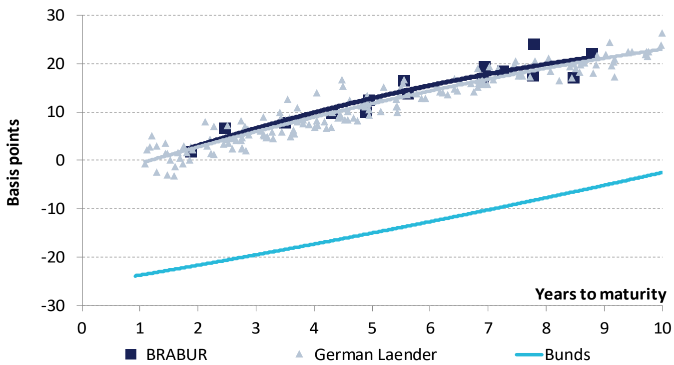


	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	>2036
EUR fixed	800	650	550	650	1,400	1,200	1,550	1,550	1,000	1,170	750	3,600
EUR floating	0	500	600	500	0	300	0	60	350	400	125	350
Foreign currencies	0	0	0	0	0	0	0	0	0	3	0	0

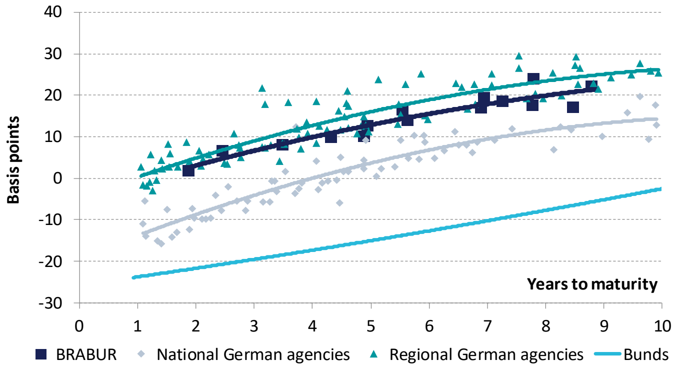
Bond amounts maturing in the next 12 months



ASW spreads vs. Bunds & peers



ASW spreads vs. Bunds & German agencies

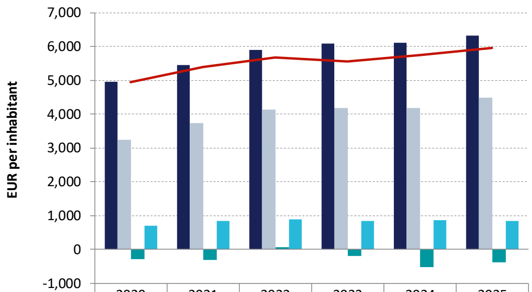


NB: Foreign currencies converted to EUR at rates as of 10 August 2026; residual term to maturity ≥1 year and ≤10 years; outstanding volume at least EUR 0.5bn.
Source: Bloomberg, NORD/LB Floor Research

Capital market	Economy 2025	Key figures 2025
Debt level* (ranking)**	**GDP (ranking)**	**Tax-interest coverage (ranking)**
EUR 21.0bn (6th)	EUR 104.1bn (11th)	42.9x (7th)
Outstanding bonds	**GDP per capita (ranking)**	**Total revenue/interest paid (ranking)**
EUR 18.1bn	EUR 40,793 (13th)	60.4x (8th)
ESG volume	**Real GDP growth (ranking)**	**Debt/GDP (ranking)**
EUR 0.0bn	-0.2% (10th)	20.2% (11th)
Bloomberg ticker	**Unemployment (ranking)**	**Debt/revenue (ranking)**
BRABUR	6.4% (7th)	1.30x (10th)

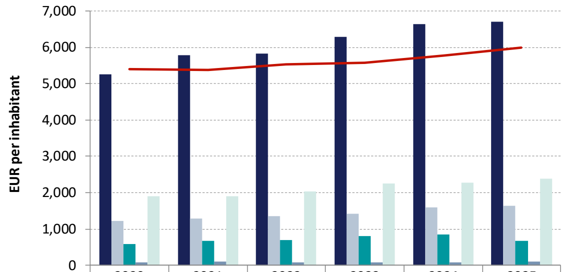
* As reported at the end of the previous year.
** Ranking of the sub-sovereign among the German Laender for the respective key figure, where 1 is the best figure in the Laender comparison.
Source: Federal Statistical Office, Federal Ministry of Finance, national accounts produced by the Laender, NORD/LB Floor Research

Development of revenue



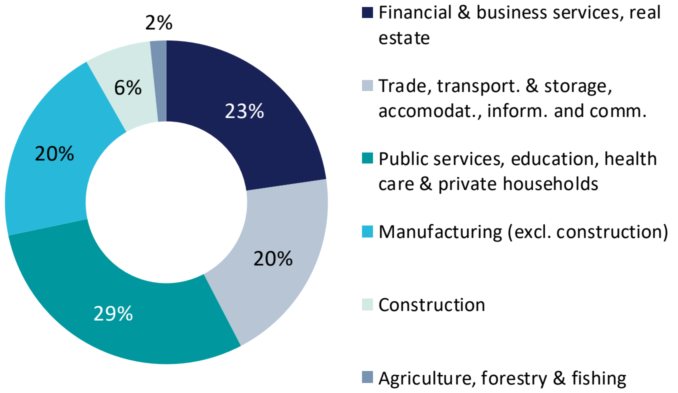
	2020	2021	2022	2023	2024	2025
Operating revenue	4,967	5,461	5,899	6,095	6,123	6,320
Tax revenue	3,238	3,730	4,144	4,192	4,195	4,494
Deficit/surplus	-293	-318	73	-192	-531	-388
Equalisation mechanism (net)	704	835	880	846	856	832
Ø of operating revenues (non-city states)	4,940	5,401	5,680	5,571	5,748	5,962

Development of expenditure

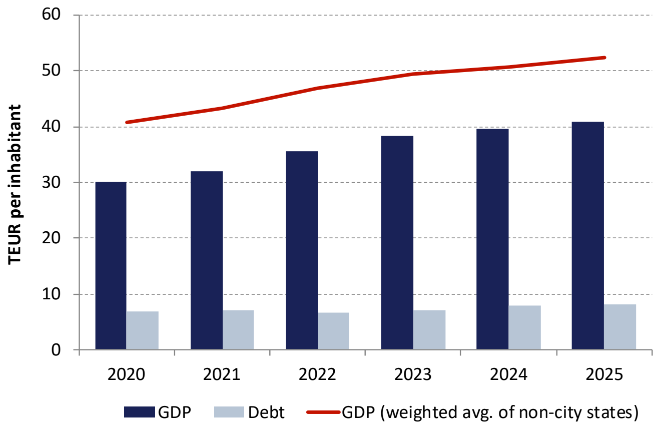


	2020	2021	2022	2023	2024	2025
Operating expense	5,260	5,779	5,826	6,287	6,654	6,708
Staff expenditure	1,231	1,290	1,346	1,409	1,601	1,640
Capital expenditure	585	673	697	802	837	665
Interest expense	79	98	79	75	86	105
Grants to municipals	1,902	1,899	2,032	2,253	2,274	2,387
Ø of operating expenses (non-city states)	5,407	5,385	5,545	5,571	5,783	6,006

Gross value added by economic sector



Trend in GDP and debt level



Source: Federal Statistical Office, Federal Ministry of Finance, national accounts produced by the Laender, NORD/LB Floor Research

Strengths/Chances

+ High-level investment in economy and infrastructure
+ Innovation location on the rise

Weaknesses/Risks

– Demographic trend
– Below average economic output (both in absolute terms and per capita)

Bremen

With more than 705,000 inhabitants and covering an area of 420km², the city state of Bremen, which comprises the two cities of Bremen and Bremerhaven, has the smallest population of all 16 German Laender. Although the Free Hanseatic City has a long tradition of self-determination, ultimately it was due to the logistical interests of the USA that the actual Allied Power in this area, namely the United Kingdom, entrusted this part of the territory it occupied in northern Germany in the immediate aftermath of the Second World War to the Americans. In economic terms, the Ports of Bremen today remain the second most important in Germany after Hamburg. Bremen's special status paved the way to its recognition as an independent sub-sovereign in 1947. Trade, transport and the hospitality industry are the mainstays of the local economy. The automotive industry, as well as the aviation and aerospace technology sectors, are also major employers in Germany's smallest federal state. In particular, Bremen Technology Park – one of the largest of its kind in Germany – is a breeding ground for these sectors. At the same time, the maritime city is developing into a key location for the offshore wind energy industry with the potential to become a European hub for this sector thanks to its location and infrastructure. In 2025, the GDP of Bremen amounted to EUR 43.0bn, which equates to just under 1% of Germany's nationwide economic output, although in terms of GDP per capita the Free Hanseatic City does continue to occupy one of the top spots. However, unemployment continues to be a real thorn in the side of Bremen. At 11.5% last year, this metric remained the highest across Germany. After an impending budget emergency was identified for Bremen in 2021, the Stability Council re-confirmed its evaluation in 2025. This financial hardship is further highlighted by the budgetary indicators assessed, for which Bremen ranks towards the bottom end. Accordingly, Bremen is obligated to implement a restructuring programme. Running from 2025 to 2027, the programme aims to consolidate the budget by reducing personnel and social expenditure, cutting promotional funding programmes, and increasing taxes.

Bundesland & politics

Link to the Ministry of Finance

[Homepage]

Population (2025)

706,915

State capital

-

Government

SPD/Greens/Die Linke (the Left Party)

Minister-President

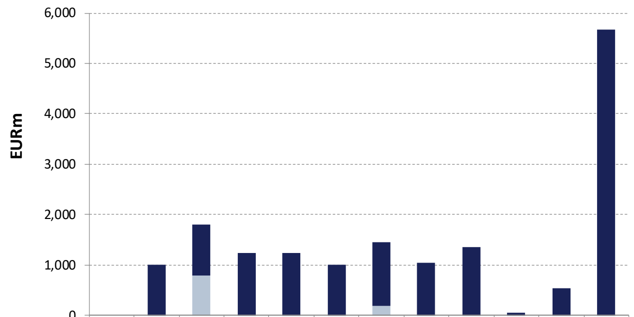
Andreas Bovenschulte (SPD)

Expected next election date

30 May 2027

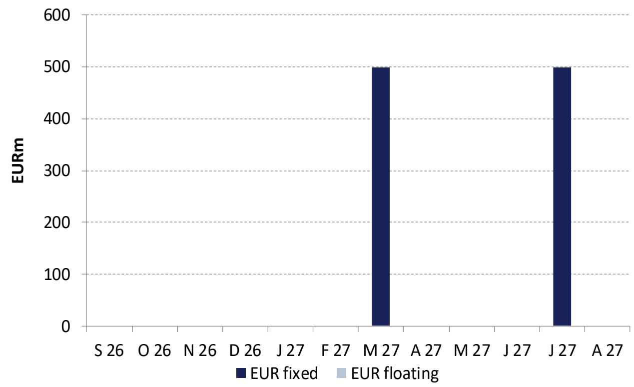
Ratings	Long-term	Outlook
Fitch	AAA	stab
Moody's	-	-
S&P	-	-
Scope	-	-

Overall maturity profile

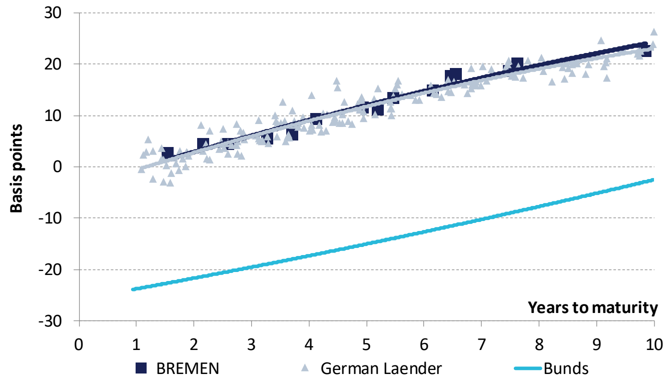


	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	>2036
EUR fixed	0	1,000	1,000	1,250	1,250	1,000	1,250	1,050	1,350	50	550	5,675
EUR floating	0	0	800	0	0	0	200	0	0	0	0	0

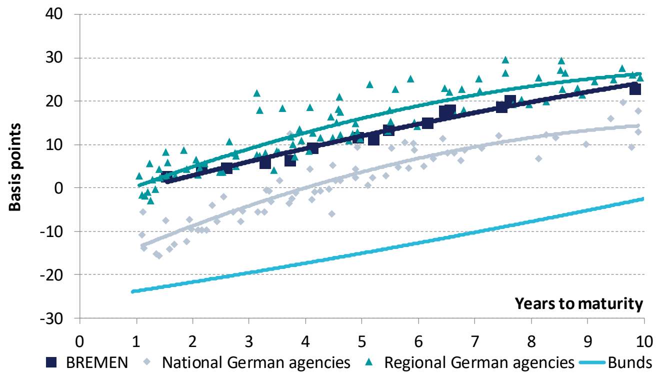
Bond amounts maturing in the next 12 months



ASW spreads vs. Bunds & peers



ASW spreads vs. Bunds & German agencies



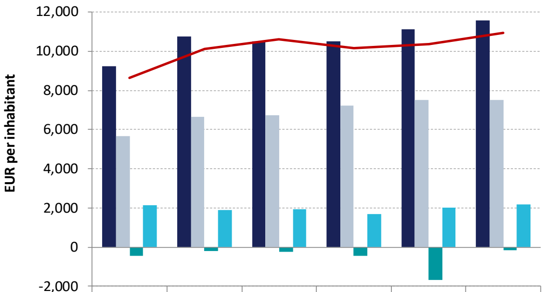
NB: Foreign currencies converted to EUR at rates as of 10 August 2026; residual term to maturity ≥1 year and ≤10 years; outstanding volume at least EUR 0.5bn.
Source: Bloomberg, NORD/LB Floor Research

NORD/LB

Capital market	Economy 2025	Key figures 2025
Debt level* (ranking)**	**GDP (ranking)**	**Tax-interest coverage (ranking)**
EUR 25.8bn (9th)	EUR 43.0bn (16th)	11.6x (16th)
Outstanding bonds	**GDP per capita (ranking)**	**Total revenue/interest paid (ranking)**
EUR 16.4bn	EUR 60,844 (4th)	17.9x (16th)
ESG volume	**Real GDP growth (ranking)**	**Debt/GDP (ranking)**
EUR 0.0bn	1.4% (1st)	59.9% (16th)
Bloomberg ticker	**Unemployment (ranking)**	**Debt/revenue (ranking)**
BREMEN	11.5% (16th)	3.15x (16th)

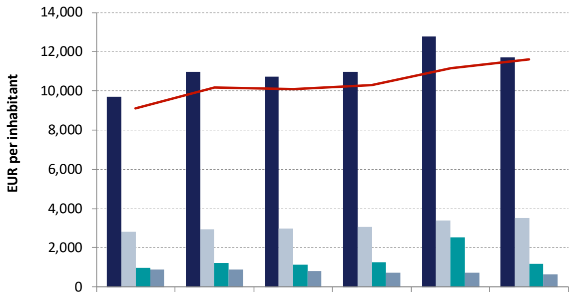
* As reported at the end of the previous year.
** Ranking of the sub-sovereign among the German Laender for the respective key figure, where 1 is the best figure in the Laender comparison.
Source: Federal Statistical Office, Federal Ministry of Finance, national accounts produced by the Laender, NORD/LB Floor Research

Development of revenue



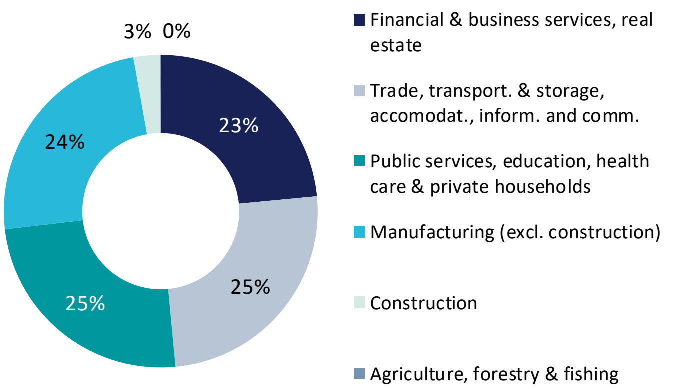
	2020	2021	2022	2023	2024	2025
Operating revenue	9,245	10,771	10,511	10,516	11,118	11,558
Tax revenue	5,654	6,654	6,721	7,220	7,512	7,498
Deficit/surplus	-456	-190	-229	-465	-1,677	-145
Equalisation mechanism (net)	2,144	1,883	1,948	1,684	1,999	2,197
Ø of operating revenues (city states)	8,652	10,106	10,619	10,147	10,365	10,931

Development of expenditure

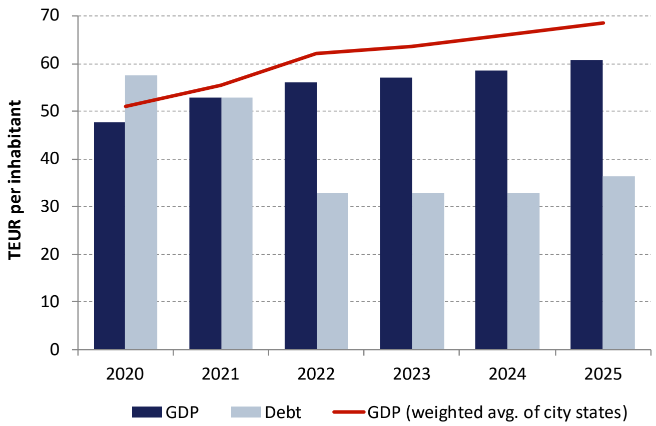


	2020	2021	2022	2023	2024	2025
Operating expense	9,701	10,961	10,739	10,981	12,795	11,703
Staff expenditure	2,836	2,956	2,985	3,078	3,370	3,521
Capital expenditure	985	1,204	1,148	1,248	2,521	1,180
Interest expense	900	880	822	744	714	644
Ø of operating expenses (city states)	9,094	10,167	10,091	10,296	11,144	11,623

Gross value added by economic sector



Trend in GDP and debt level



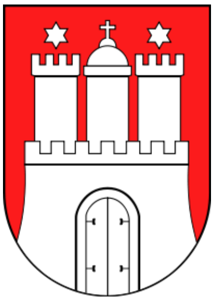
Source: Federal Statistical Office, Federal Ministry of Finance, national accounts produced by the Laender, NORD/LB Floor Research

Strengths/Chances

+ Strong economic output per capita
+ Comparatively advantageous initial demographic position
+ Major significance for German exports

Weaknesses/Risks

– Low values for debt sustainability and interest coverage
– High expenditure in relation to population
– Highest unemployment of all Laender



Bundesland & politics

Link to the Ministry of Finance
[Homepage]

Population (2025)
1,869,473

State capital
-

Government
SPD/Greens

Minister-President
Peter Tschentscher (SPD)

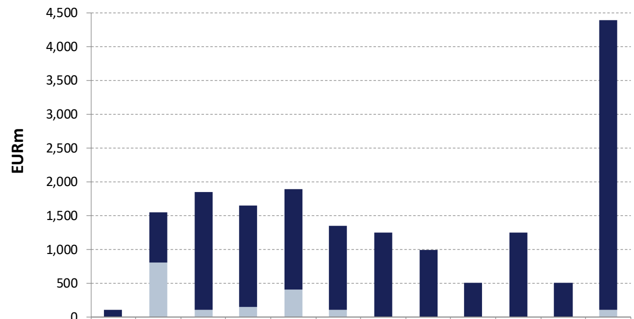
Expected next election date
Spring 2030

Ratings	Long-term	Outlook
Fitch	AAA	stab
Moody's	-	-
S&P	-	-
Scope	-	-

Hamburg

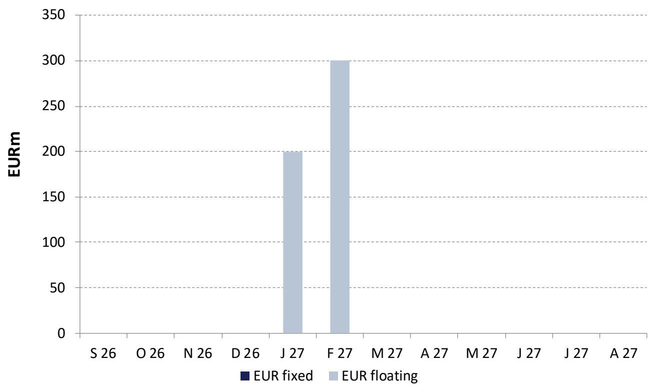
With a population of around 1.9 million people, the Free and Hanseatic City of Hamburg is Germany's second largest city after Berlin. Hamburg covers a total area of 755km^2, producing a population density of 2,467 inhabitants per km^2, meaning that only Berlin ranks higher for this metric. Hamburg has traditionally valued its political independence and owes its economic importance to the city's port, which is among the largest of its kind in Europe. Across the continent, only the ports of Rotterdam and Antwerp handle a greater volume of container transshipments. The importance of the economic sectors involving logistics, the port and maritime trade is accordingly high. Around 115,000 jobs are directly dependent on the port. As a commercial, transport and services hub within Germany, Hamburg constitutes one of the most important conurbations in Germany and boasts excellent transport links. This is also reflected in the composition of Hamburg's GDP: the financial and commercial sector contributes more to the relative gross value added than in any of the other German Laender. Moreover, Hamburg offers a well-connected ecosystem for start-ups, which have a range of promotional and financing options at their disposal. The strategic location and innovative focus on renewable energies and logistics serve to promote growth and expansion, at the same time as strengthening the appeal of the city for foreign companies. In addition, the Elbphilharmonie concert hall has become a popular tourist attraction, while Hamburg frequently hosts international conferences and trade fairs. Demographic trends are also comparatively advantageous: the proportion of older population groups is low compared with other Laender, with young adults accounting for a substantial share of Hamburg's demographic data. In terms of the budget metrics, the city on the banks of the Elbe was again ranked in upper mid-table in comparison with other Laender in 2025. Last year, the Hamburg economy contributed a share of 3.8% to German national GDP. In addition, Hamburg has been posting the highest GDP per capita for many years (2025: EUR 90,026). The Hanseatic city is therefore not only a leading light in economic terms, but also in sports – with Hamburg SV attracting huge crowds of football fans.

Overall maturity profile

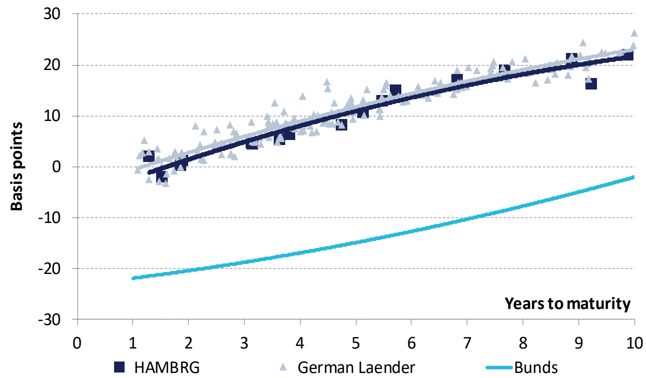


	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	>2036
EUR fixed	100	750	1,750	1,500	1,500	1,250	1,250	1,000	500	1,250	500	4,300
EUR floating	0	800	100	150	400	100	0	0	0	0	0	100

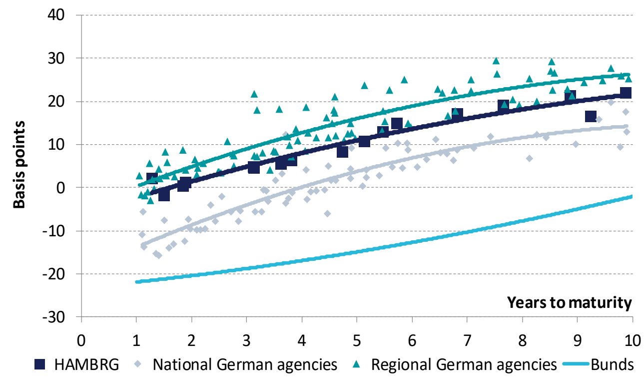
Bond amounts maturing in the next 12 months



ASW spreads vs. Bunds & peers



ASW spreads vs. Bunds & German agencies



NB: Foreign currencies converted to EUR at rates as of 10 August 2026; residual term to maturity ≥1 year and ≤10 years; outstanding volume at least EUR 0.5bn.
Source: Bloomberg, NORD/LB Floor Research

Capital market

Debt level* (ranking)**
EUR 24.0bn (8th)

Outstanding bonds
EUR 17.3bn

ESG volume
EUR 0.0bn

Bloomberg ticker
HAMBRG

Economy 2025

GDP (ranking)
EUR 168.3bn (8th)

GDP per capita (ranking)
EUR 90,026 (1st)

Real GDP growth (ranking)
0.8% (5th)

Unemployment (ranking)
8.3% (14th)

Key figures 2025

Tax-interest coverage (ranking)
51.6x (4th)

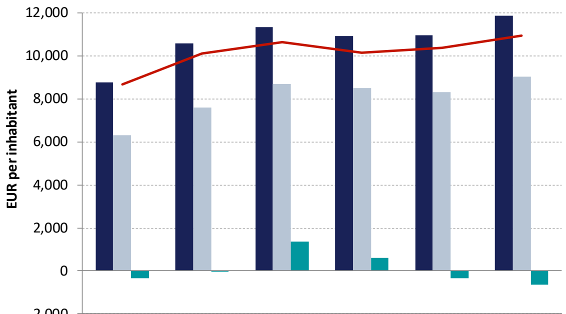
Total revenue/interest paid (ranking)
67.9x (5th)

Debt/GDP (ranking)
14.3% (7th)

Debt/revenue (ranking)
1.08x (5th)

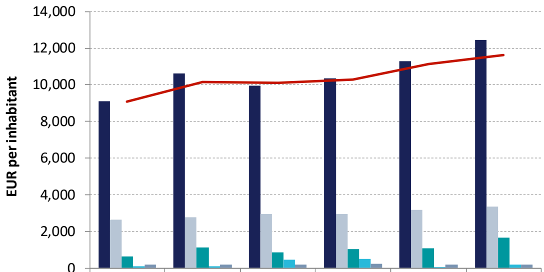
* As reported at the end of the previous year.
** Ranking of the sub-sovereign among the German Laender for the respective key figure, where 1 is the best figure in the Laender comparison.
Source: Federal Statistical Office, Federal Ministry of Finance, national accounts produced by the Laender, NORD/LB Floor Research

Development of revenue



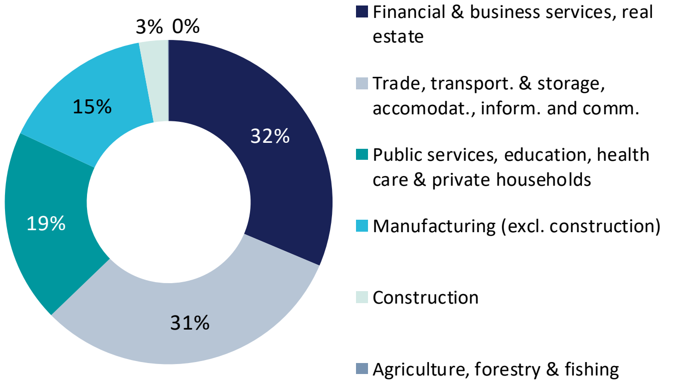
	2020	2021	2022	2023	2024	2025
Operating revenue	8,751	10,583	11,313	10,928	10,938	11,845
Tax revenue	6,307	7,587	8,702	8,503	8,305	9,008
Deficit/surplus	-354	-36	1,343	589	-355	-626
Ø of operating revenues (city states)	8,652	10,106	10,619	10,147	10,365	10,931

Development of expenditure

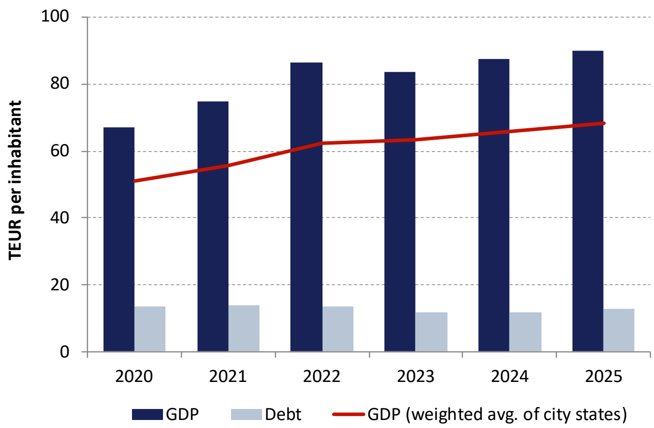


	2020	2021	2022	2023	2024	2025
Operating expense	9,106	10,618	9,970	10,340	11,294	12,471
Staff expenditure	2,668	2,771	2,940	2,958	3,166	3,345
Capital expenditure	647	1,116	855	1,021	1,075	1,660
Equalisation mechanism (net)	93	124	444	504	57	177
Interest expense	216	203	196	222	186	174
Ø of operating expenses (city states)	9,094	10,167	10,091	10,296	11,144	11,623

Gross value added by economic sector



Trend in GDP and debt level



Source: Federal Statistical Office, Federal Ministry of Finance, national accounts produced by the Laender, NORD/LB Floor Research

Strengths/Chances

+ Economic power per capita
+ Comparatively positive initial demographic position
+ High tax revenues in relation to population

Weaknesses/Risks

– Unemployment is above average
– Debt level in relation to the number of inhabitants
– Dependency on port and foreign trade

Bundesland & politics

Link to the Ministry of Finance
Homepage

Population (2025)
6,278,594

State capital
Wiesbaden

Government
CDU/SPD

Minister-President
Boris Rhein (CDU)

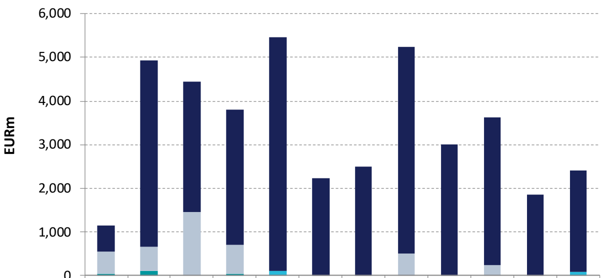
Expected next election date
Autumn 2028

Ratings	Long-term	Outlook
Fitch	-	-
Moody's	-	-
S&P	AA+	stab
Scope	AAA	stab

Hesse

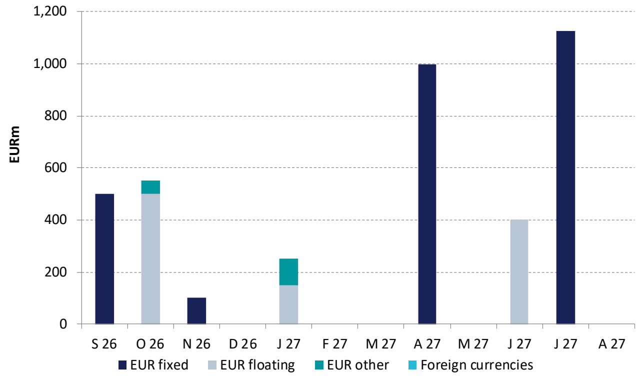
With around 6.3 million inhabitants overall, the federal state of Hesse is one of the most populous in Germany. At the same time, Hesse covers an area of 21,116 km², meaning that only three other non-city states feature a higher population density. While the Hessian economy is broadly diversified, it is still dominated by the financing, leasing and corporate services sector. The major city of Frankfurt am Main is home to numerous banks and enjoys a reputation as a global financial centre. For example, the European Central Bank (ECB), the European Insurance and Occupational Pensions Authority (EIOPA) and the Authority for Anti-Money Laundering and Countering the Financing of Terrorism (AMLA) are headquartered here, among other internationally important organisations. Moreover, both the German stock exchange (Deutsche Börse) and the German central bank (Deutsche Bundesbank) are located in Hesse's largest city. While the chemicals, metal processing and automotive industries are predominant in northern Hesse, trading companies particularly benefit from Frankfurt Airport's role as one of the most important air traffic hubs in Europe (freight and passenger transport) in conjunction with the highly developed transport infrastructure. Having seen its contribution steadily increase over recent years, the trade, hospitality and transport sector therefore continues to account for a significant share of gross value added. In order to tackle global challenges such as climate change, scarcity of resources and the digital transformation in a highly dynamic environment, the new innovation programme ties in with national and international initiatives such as the European Green Deal, the Sustainable Development Goals (SDGs) of the United Nations and the high-tech strategy of the German federal government. Last year, the Hessian economy contributed around 8.6% to overall economic output in Germany. As part of its sustainability strategy, the sub-sovereign has been active on the capital market as a regular issuer of green bonds since 2021. After issuances in 2021 and 2023, Hesse placed another green EUR benchmark bond in 2025, thereby confirming its preferred issuance cycle of a deal every other year.

Overall maturity profile

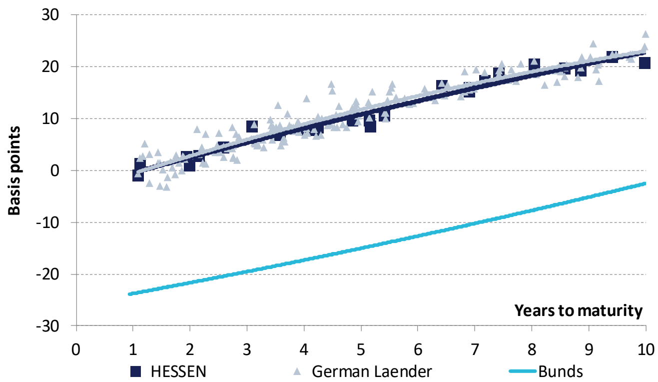


	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	>2036
EUR fixed	600	4,275	3,000	3,100	5,360	2,225	2,500	4,750	3,000	3,375	1,850	2,322
EUR floating	500	550	1,450	650	0	0	0	500	0	250	0	0
EUR other	51	102	0	51	0	0	0	0	0	0	0	0
Foreign currencies	0	0	0	0	107	0	0	0	0	0	0	86

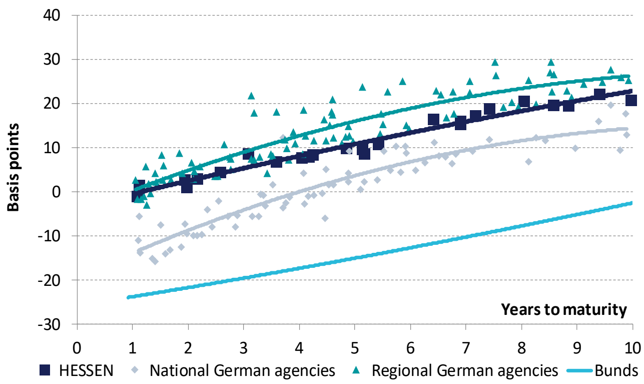
Bond amounts maturing in the next 12 months



ASW spreads vs. Bunds & peers



ASW spreads vs. Bunds & German agencies



NB: Foreign currencies converted to EUR at rates as of 10 August 2026; residual term to maturity ≥1 year and ≤10 years; outstanding volume at least EUR 0.5bn.
Source: Bloomberg, NORD/LB Floor Research

Capital market

Debt level* (ranking)**
EUR 46.8bn (13th)

Outstanding bonds
EUR 40.7bn

ESG volume
EUR 3.1bn

Bloomberg ticker
HESSEN

Economy 2025

GDP (ranking)
EUR 382.4bn (5th)

GDP per capita (ranking)
EUR 60,907 (3rd)

Real GDP growth (ranking)
-0.2% (10th)

Unemployment (ranking)
5.8% (4th)

Key figures 2025

Tax-interest coverage (ranking)
27.8x (11th)

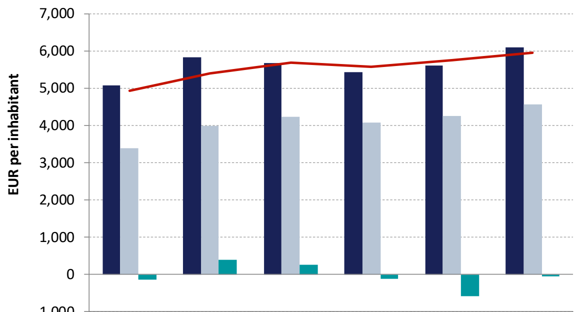
Total revenue/interest paid (ranking)
37.1x (12th)

Debt/GDP (ranking)
12.2% (4th)

Debt/revenue (ranking)
1.22x (8th)

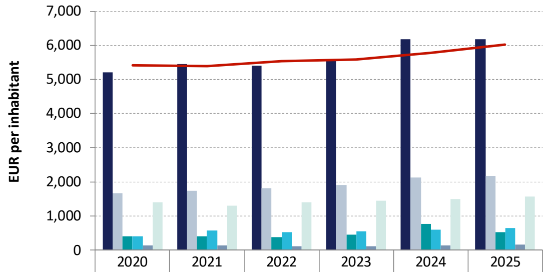
* As reported at the end of the previous year.
** Ranking of the sub-sovereign among the German Laender for the respective key figure, where 1 is the best figure in the Laender comparison.
Source: Federal Statistical Office, Federal Ministry of Finance, national accounts produced by the Laender, NORD/LB Floor Research

Development of revenue



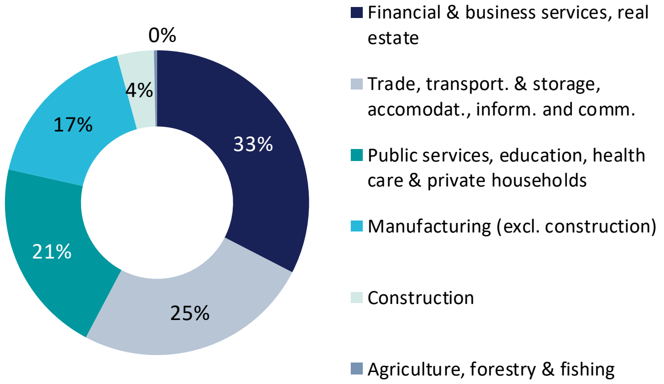
	2020	2021	2022	2023	2024	2025
Operating revenue	5,075	5,831	5,672	5,435	5,610	6,109
Tax revenue	3,387	3,991	4,237	4,072	4,265	4,574
Deficit/surplus	-133	384	268	-108	-575	-59
Ø of operating revenues (non-city states)	4,940	5,401	5,680	5,571	5,748	5,962

Development of expenditure

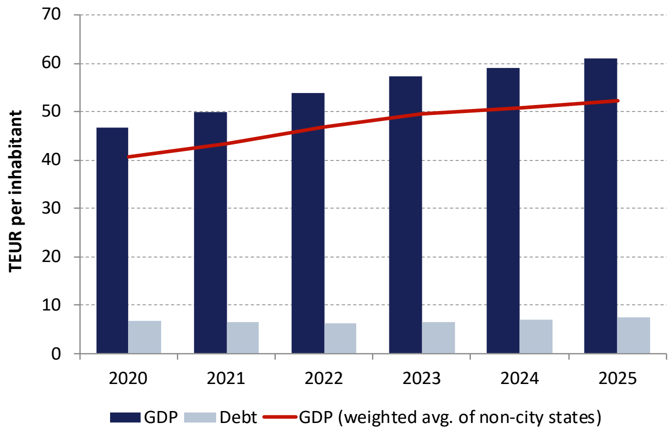


	2020	2021	2022	2023	2024	2025
Operating expense	5,208	5,447	5,404	5,544	6,185	6,168
Staff expenditure	1,672	1,738	1,819	1,915	2,123	2,177
Capital expenditure	391	390	373	443	772	514
Equalisation mechanism (net)	402	565	521	549	595	638
Interest expense	140	134	120	122	141	165
Grants to municipals	1,402	1,300	1,390	1,449	1,498	1,572
Ø of operating expenses (non-city states)	5,407	5,385	5,545	5,571	5,783	6,006

Gross value added by economic sector



Trend in GDP and debt level



Source: Federal Statistical Office, Federal Ministry of Finance, national accounts produced by the Laender, NORD/LB Floor Research

Strengths/Chances

+ Strong financial power
+ Low unemployment

Weaknesses/Risks

– Low interest coverage
– High absolute debt level
– Demographic change

Bundesland & politics

Link to the Ministry of Finance

[Homepage]

Population (2025)

1,573,685

State capital

Schwerin

Government

SPD/Die Linke (The Left Party)

Minister-President

Manuela Schwesig (SPD)

Expected next election date

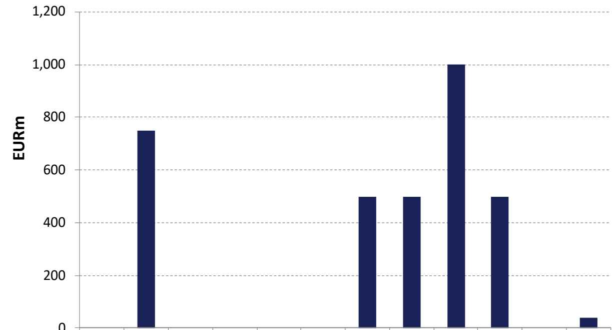
20 September 2026

Ratings	Long-term	Outlook
Fitch	AAA	stab
Moody's	-	-
S&P	-	-
Scope	-	-

Mecklenburg-Western Pomerania

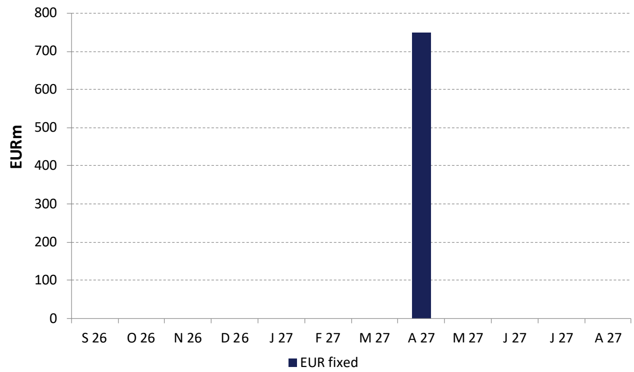
With a population of around 1.6 million people and covering an area of 23,295km^2, Mecklenburg-Western Pomerania is the most sparsely populated federal state in Germany. It has existed in its present form since the reunification of Germany (the cession of Amt Neuhaus back to Lower Saxony in 1993 aside) and is characterised by a large number of islands (794) and Bodden (briny lagoons) along the length of its Baltic Sea coastline, which stretches for around 2,000km overall. As a result, tourism plays a vital role in the federal state, while agriculture, forestry and fisheries are also essential pillars of the regional economy, accounting for more economic output in percentage terms than in any of the other German Laender. However, public services also contribute more to gross value added in "MV" than is the case in the other federal states. Shipping and the wider maritime economy remain significant too. Mecklenburg-Western Pomerania is also increasingly expanding its activities in the field of future technologies, with the two universities in Rostock and Greifswald playing a prominent part in driving this development. For example, the Wendelstein 7-X experimental facility, the largest in the world, has been located at the University of Greifswald since November 2015 for the purposes of conducting research into nuclear fusion technology. In addition, in terms of total expenditure, the federal state records the highest share of investment expenditure across Germany. By way of the "Industrieland 2030" strategy, value added is to be strengthened over the long term by focusing on sustainability, digitalisation and innovation to make the region more attractive nationally and internationally. Renewable energies are also playing an increasingly important role. For example, the Lüttow-Valluhn solar park, which commenced operations in September 2022, is designed to generate around 13.9 million kWh of electricity each year, saving just under 6,000 tons of CO_2 per year. In 2025, Mecklenburg-Western Pomerania generated GDP of EUR 63.6bn. In per capita terms, too, it languishes towards the bottom of the table for economic output. Nevertheless, the sub-sovereign fares very well in terms of budget metrics in a Laender comparison. For instance, Mecklenburg-Western Pomerania registered the second-lowest debt level of all Laender in 2025.

Overall maturity profile

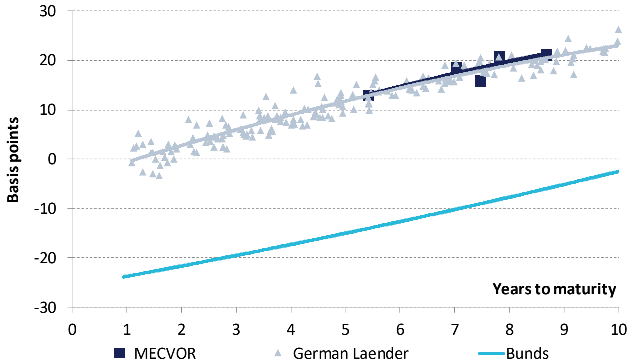


	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	>2036
EUR fixed	0	750	0	0	0	0	500	500	1,000	500	0	40

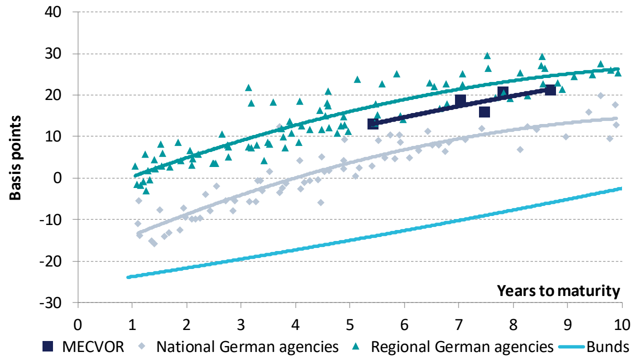
Bond amounts maturing in the next 12 months



ASW spreads vs. Bunds & peers



ASW spreads vs. Bunds & German agencies



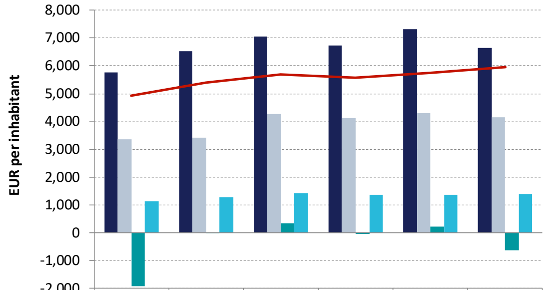
NB: Foreign currencies converted to EUR at rates as of 10 August 2026; residual term to maturity ≥1 year and ≤10 years; outstanding volume at least EUR 0.5bn.
Source: Bloomberg, NORD/LB Floor Research

NORD/LB

Capital market	Economy 2025	Key figures 2025
Debt level* (ranking)**	**GDP (ranking)**	**Tax-interest coverage (ranking)**
EUR 8.2bn (2nd)	EUR 63.6bn (14th)	43.6x (6th)
Outstanding bonds	**GDP per capita (ranking)**	**Total revenue/interest paid (ranking)**
EUR 3.3bn	EUR 40,405 (14th)	69.9x (4th)
ESG volume	**Real GDP growth (ranking)**	**Debt/GDP (ranking)**
EUR 0.0bn	1.4% (1st)	12.9% (5th)
Bloomberg ticker	**Unemployment (ranking)**	**Debt/revenue (ranking)**
MECVOR	8.0% (12th)	0.78x (4th)

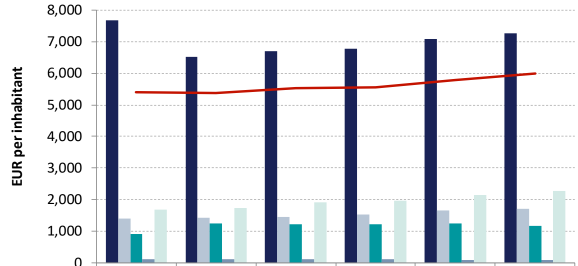
* As reported at the end of the previous year.
** Ranking of the sub-sovereign among the German Laender for the respective key figure, where 1 is the best figure in the Laender comparison.
Source: Federal Statistical Office, Federal Ministry of Finance, national accounts produced by the Laender, NORD/LB Floor Research

Development of revenue



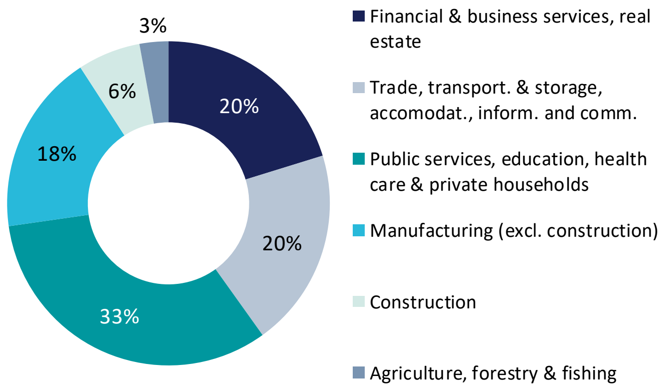
	2020	2021	2022	2023	2024	2025
Operating revenue	5,764	6,522	7,045	6,722	7,318	6,649
Tax revenue	3,369	3,402	4,254	4,128	4,297	4,148
Deficit/surplus	-1,923	-11	328	-52	225	-623
Equalisation mechanism (net)	1,131	1,266	1,423	1,374	1,375	1,395
Ø of operating revenues (non-city states)	4,940	5,401	5,680	5,571	5,748	5,962

Development of expenditure

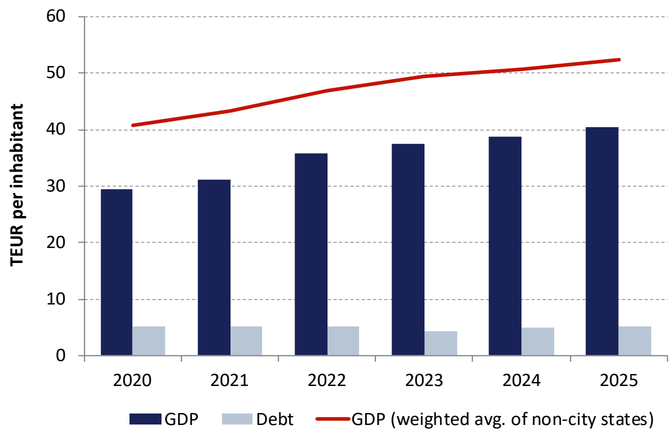


	2020	2021	2022	2023	2024	2025
Operating expense	7,687	6,533	6,718	6,773	7,093	7,271
Staff expenditure	1,386	1,431	1,446	1,535	1,642	1,706
Capital expenditure	909	1,246	1,215	1,204	1,251	1,165
Interest expense	120	103	102	120	78	95
Grants to municipals	1,686	1,729	1,919	1,952	2,132	2,272
Ø of operating expenses (non-city states)	5,407	5,385	5,545	5,571	5,783	6,006

Gross value added by economic sector



Trend in GDP and debt level



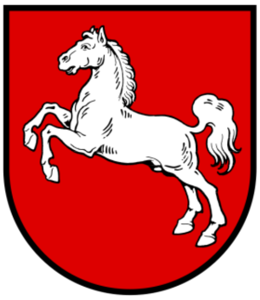
Source: Federal Statistical Office, Federal Ministry of Finance, national accounts produced by the Laender, NORD/LB Floor Research

Strengths/Chances

+ Above-average revenues in relation to population
+ Very solid debt sustainability and interest coverage metrics
+ Low debt level

Weaknesses/Risks

– Low economic output (absolute and per capita)
– Above-average unemployment
– Demographic change



Bundesland & politics

Link to the Ministry of Finance

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Population (2025)

8,000,826

State capital

Hanover

Government

SPD/Greens

Minister-President

Olaf Lies (SPD)

Expected next election date

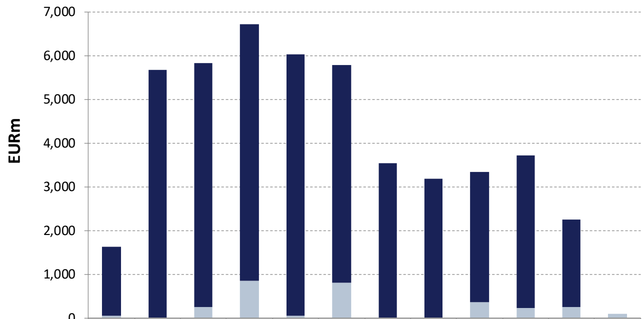
Autumn 2027

Ratings	Long-term	Outlook
Fitch	AAA	stab
Moody's	-	-
S&P	-	-
Scope	-	-

Lower Saxony

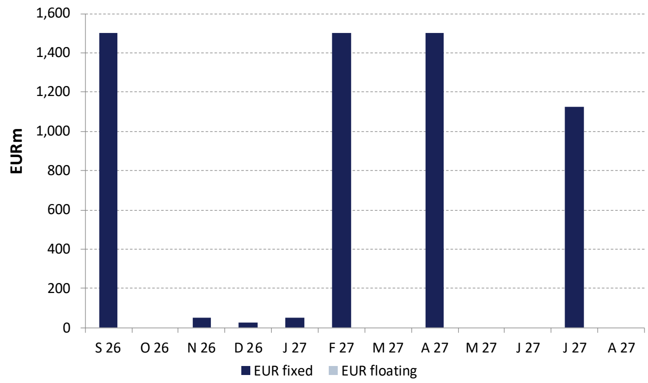
The federal state of Lower Saxony was created in 1946 from the regions of Hanover, Oldenburg, Brunswick and Schaumburg-Lippe and is the second largest of the German Laender, covering an area of just under 48,000km². Its population of around 8.0 million people is exceeded by only three other German sub-sovereigns. Lower Saxony is characterised by a comparatively balanced population structure, which is advantageous in the context of general demographic trends across Germany. Around one quarter of gross value added is attributable to the manufacturing sector, which is strongly influenced by the automotive industry and its suppliers. The sector, currently undergoing a structural transformation, is concentrated in regional hubs including Hanover, Brunswick, Wolfsburg and Emden. The transformation of the industrial and automotive sectors creates opportunities but, in the current challenging economic environment, also carries risks, including additional job losses and further declines in profitability. Lower Saxony's well-developed infrastructure is another feather in its cap: in fact, the rail network in Lower Saxony is among the longest of all Laender across Germany. Home to the largest exhibition site in the world, Hanover hosts globally leading industrial trade fairs, including Hannover Messe, Agritechnica, EuroBlech and IAA Transportation. As the state capital, Hanover is therefore an important location for current and future technologies at international level. At the same time, with one of the most extensive areas of usable agricultural land in Germany, agriculture also constitutes a key driver of economic growth in the region. Moreover, Lower Saxony is well on its way to becoming Germany's leading sub-sovereign for renewable energies. As part of Germany's efforts to reduce its dependence on Russian gas imports, the country's first LNG (liquefied natural gas) terminal commenced operations in Wilhelmshaven at the end of 2022, followed by two additional LNG sites in Brunsbüttel and Stade in early 2024. In 2025, Lower Saxony generated 8.9% of German GDP, which is the fourth highest contribution of all German Laender. However, Lower Saxony's absolute debt level remains high in a Laender comparison.

Overall maturity profile

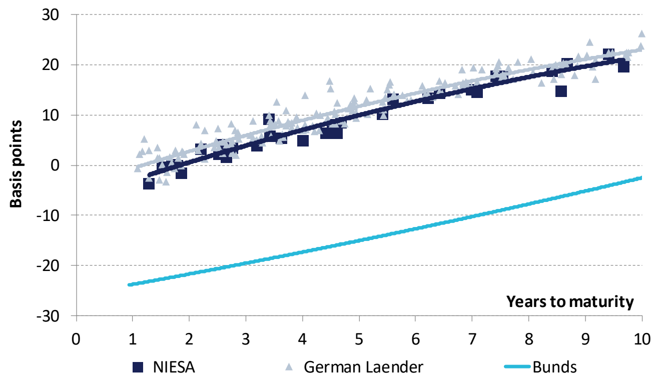


	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	>2036
EUR fixed	1,575	5,675	5,600	5,890	6,000	5,000	3,550	3,200	3,000	3,500	2,000	0
EUR floating	50	0	250	850	50	800	0	0	350	215	250	100

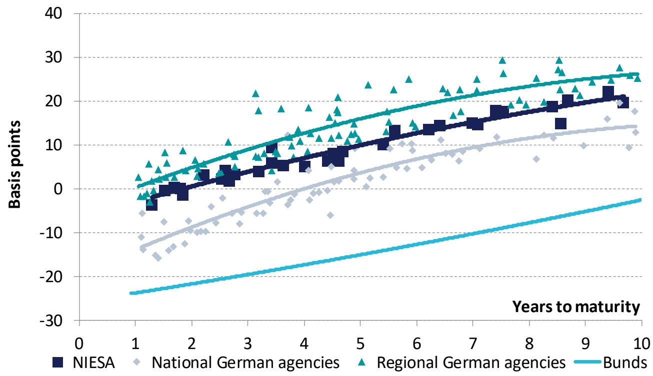
Bond amounts maturing in the next 12 months



ASW spreads vs. Bunds & peers



ASW spreads vs. Bunds & German agencies



NB: Foreign currencies converted to EUR at rates as of 10 August 2026; residual term to maturity ≥1 year and ≤10 years; outstanding volume at least EUR 0.5bn.
Source: Bloomberg, NORD/LB Floor Research

Capital market

Debt level* (ranking)**
EUR 56.1bn (14th)

Outstanding bonds
EUR 47.9bn

ESG volume
EUR 0.0bn

Bloomberg ticker
NIESA

Economy 2025

GDP (ranking)
EUR 399.4bn (4th)

GDP per capita (ranking)
EUR 49,919 (8th)

Real GDP growth (ranking)
0.7% (6th)

Unemployment (ranking)
6.1% (6th)

Key figures 2025

Tax-interest coverage (ranking)
39.8x (9th)

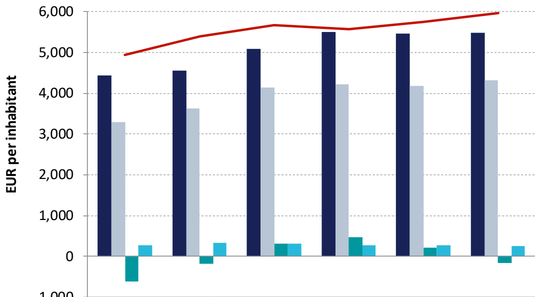
Total revenue/interest paid (ranking)
50.4x (9th)

Debt/GDP (ranking)
14.0% (6th)

Debt/revenue (ranking)
1.28x (9th)

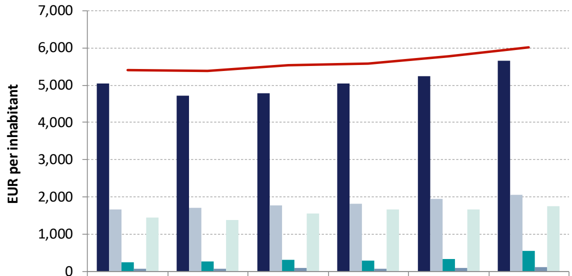
* As reported at the end of the previous year.
** Ranking of the sub-sovereign among the German Laender for the respective key figure, where 1 is the best figure in the Laender comparison.
Source: Federal Statistical Office, Federal Ministry of Finance, national accounts produced by the Laender, NORD/LB Floor Research

Development of revenue



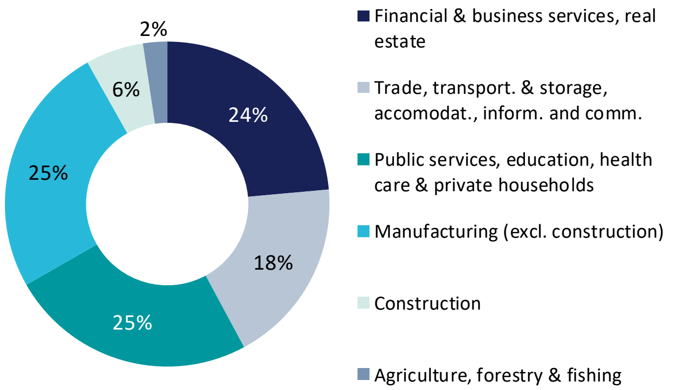
	2020	2021	2022	2023	2024	2025
Operating revenue	4,435	4,547	5,094	5,507	5,461	5,477
Tax revenue	3,301	3,630	4,135	4,219	4,177	4,327
Deficit/surplus	-614	-177	318	466	219	-172
Equalisation mechanism (net)	261	340	319	277	271	253
Ø of operating revenues (non-city states)	4,940	5,401	5,680	5,571	5,748	5,962

Development of expenditure

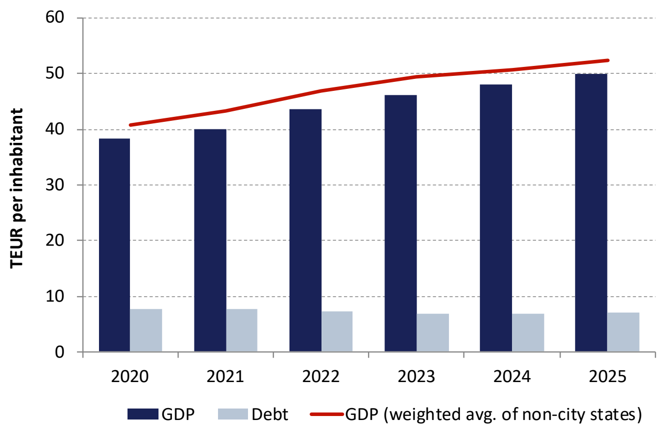


	2020	2021	2022	2023	2024	2025
Operating expense	5,049	4,724	4,776	5,041	5,241	5,649
Staff expenditure	1,671	1,708	1,770	1,814	1,953	2,047
Capital expenditure	251	267	312	297	339	558
Interest expense	75	72	103	66	87	109
Grants to municipals	1,453	1,381	1,563	1,664	1,665	1,752
Ø of operating expenses (non-city states)	5,407	5,385	5,545	5,571	5,783	6,006

Gross value added by economic sector



Trend in GDP and debt level



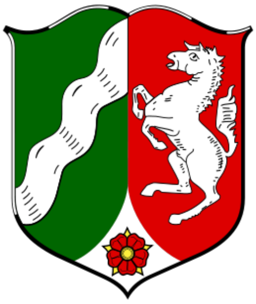
Source: Federal Statistical Office, Federal Ministry of Finance, national accounts produced by the Laender, NORD/LB Floor Research

Strengths/Chances

+ Solid budgetary development
+ Low expenditure relative to the number of inhabitants
+ Relatively balanced population structure

Weaknesses/Risks

– Below-average revenues in relation to population
– Relatively high debt level
– Imports outweigh exports



Bundesland & politics

Link to the Ministry of Finance

[Homepage]

Population (2025)

17,986,214

State capital

Düsseldorf

Government

CDU/Greens

Minister-President

Hendrik Wüst (CDU)

Expected next election date

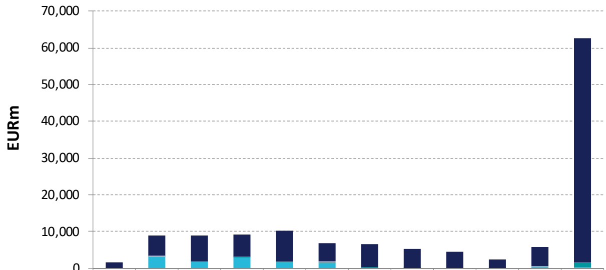
25 April 2027

Ratings	Long-term	Outlook
Fitch	AAA	stab
Moody's	Aa1	stab
S&P	AA	stab
Scope	AAA	stab

North Rhine-Westphalia

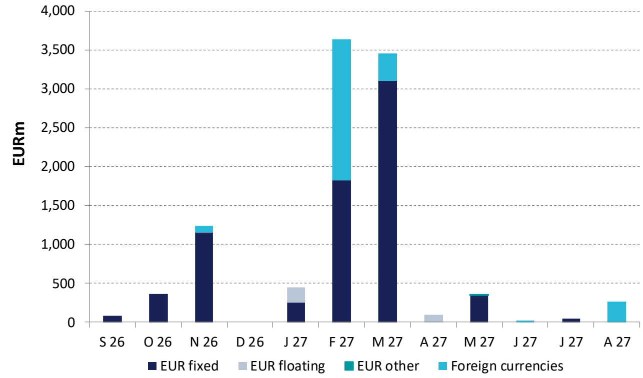
The federal state of North Rhine-Westphalia (NRW) came into existence in the year 1947. With a population of around 18.0 million people, it is Germany's most populous sub-sovereign. Covering an area of 34,112km^2, NRW is also the most densely populated of all the non-city states. NRW has developed its strong economic position over the course of many decades. This is not a situation that should be taken for granted, as the federal state has been in the midst of a structural transformation since the beginning of the 1960s. Over this period, NRW has transitioned from a region shaped by mining and heavy industry – with a particular emphasis in this regard on the Ruhr Metropolis – towards an economy focused on the modern service sector. In 2025, 7.7 million people were employed in this field, with this number having roughly doubled since 1970. However, at 7.8%, unemployment is above the national average (6.3%). In response to future challenges, NRW has established an interdisciplinary working group in the form of the "Wirtschaft & Arbeit 4.0" initiative to stimulate digital development and innovation processes. For example, NRW is pursuing the objective of implementing a comprehensive network of broadband and fibre-optic technology by 2030. The federal state has also defined ambitious goals in relation to climate protection. In this respect, the aim by 2030 is to cut greenhouse gas emissions by 65% compared with 1990, and by 88% by 2040. Thereafter, from the year 2045, NRW expects to achieve greenhouse gas neutrality. NRW has always accounted for a large portion of German economic output, although its contribution has been on the slide for several years. Nevertheless, with GDP of EUR 909.4bn, NRW ranked first by far in this metric in 2025. Furthermore, the budget situation improved considerably in the period under review, with the sub-sovereign generating a surplus of EUR +1.8bn. Since 2010, NRW has been a recipient under the federal financial equalisation system each year except for 2020. Last year, it received roughly EUR 1.0bn from this system. On the capital market, NRW has been a regular issuer of [sustainability bonds] since 2015, making it the first German sub-sovereign to place bonds in this segment.

Overall maturity profile

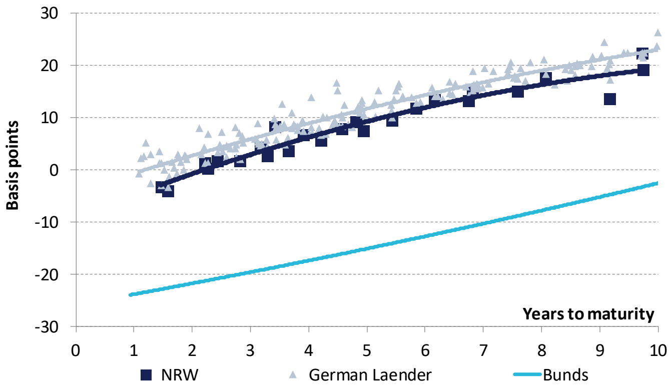


	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	>2036
EUR fixed	1,601	5,575	6,864	5,905	8,175	5,060	6,500	5,165	4,300	2,500	5,270	61,010
EUR floating	0	300	0	175	100	100	0	0	0	0	197	75
EUR other	0	10	10	71	305	315	80	60	125	10	30	1,185
Foreign currencies	91	3,069	1,993	2,980	1,588	1,406	107	0	0	0	295	429

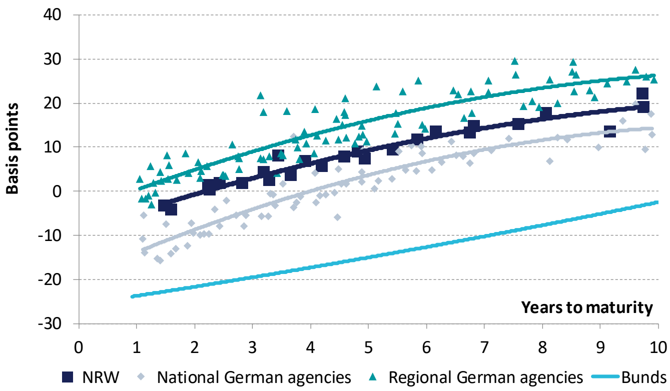
Bond amounts maturing in the next 12 months



ASW spreads vs. Bunds & peers



ASW spreads vs. Bunds & German agencies

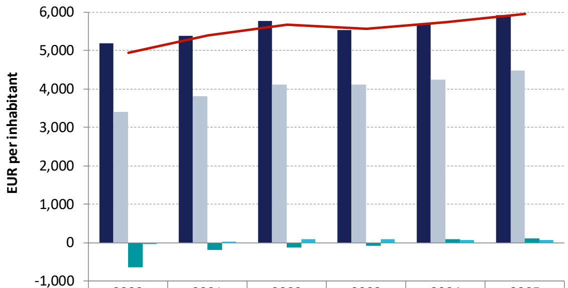


NB: Foreign currencies converted to EUR at rates as of 10 August 2026; residual term to maturity ≥1 year and ≤10 years; outstanding volume at least EUR 0.5bn.
Source: Bloomberg, NORD/LB Floor Research

Capital market	Economy 2025	Key figures 2025
Debt level* (ranking)**	**GDP (ranking)**	**Tax-interest coverage (ranking)**
EUR 160.8bn (16th)	EUR 909.4bn (1st)	24.0x (14th)
Outstanding bonds	**GDP per capita (ranking)**	**Total revenue/interest paid (ranking)**
EUR 133.0bn	EUR 50,562 (7th)	31.7x (14th)
ESG volume	**Real GDP growth (ranking)**	**Debt/GDP (ranking)**
EUR 27.1bn	0.3% (9th)	17.7% (9th)
Bloomberg ticker	**Unemployment (ranking)**	**Debt/revenue (ranking)**
NRW	7.8% (11th)	1.51x (11th)

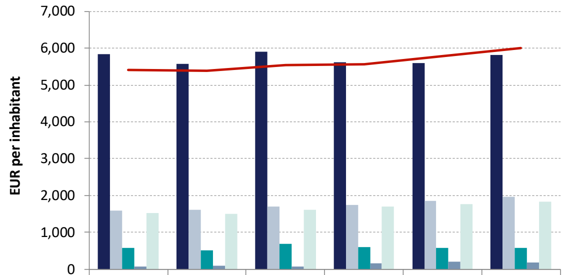
* As reported at the end of the previous year.
** Ranking of the sub-sovereign among the German Laender for the respective key figure, where 1 is the best figure in the Laender comparison.
Source: Federal Statistical Office, Federal Ministry of Finance, national accounts produced by the Laender, NORD/LB Floor Research

Development of revenue



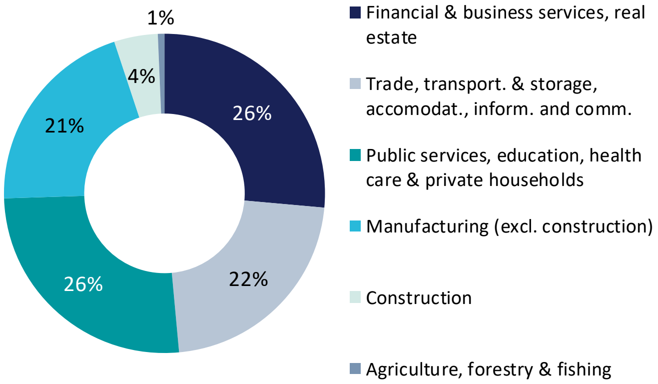
	2020	2021	2022	2023	2024	2025
Operating revenue	5,199	5,378	5,766	5,536	5,684	5,917
Tax revenue	3,405	3,806	4,125	4,106	4,246	4,481
Deficit/surplus	-648	-197	-135	-91	89	102
Equalisation mechanism (net)	-35	11	91	88	58	71
Ø of operating revenues (non-city states)	4,940	5,401	5,680	5,571	5,748	5,962

Development of expenditure

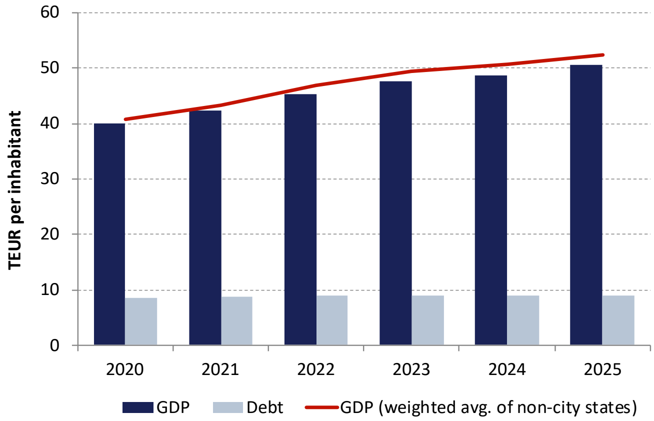


	2020	2021	2022	2023	2024	2025
Operating expense	5,847	5,575	5,900	5,627	5,595	5,814
Staff expenditure	1,579	1,618	1,691	1,750	1,864	1,972
Capital expenditure	566	500	685	595	566	573
Interest expense	77	88	80	162	192	186
Grants to municipals	1,531	1,494	1,619	1,710	1,762	1,822
Ø of operating expenses (non-city states)	5,407	5,385	5,545	5,571	5,783	6,006

Gross value added by economic sector



Trend in GDP and debt level



Source: Federal Statistical Office, Federal Ministry of Finance, national accounts produced by the Laender, NORD/LB Floor Research

Strengths/Chances

+ Solid budget performance
+ Well-diversified economy
+ Strong economic power

Weaknesses/Risks

— High absolute level of pension liabilities
— Below-average debt sustainability
— High unemployment in structurally weak areas

Rhineland-Palatinate

On 18 May 1946, seven regions were merged to form the federal state of Rhineland-Palatinate, which was initially in the US occupation zone following the Second World War, before being handed over to the French. Covering an area of 19,858km², the sub-sovereign is home to around 4.1 million people. In the next few decades, Rhineland-Palatinate will be forced to confront the challenge of a projected decline in population. Manufacturing industries play a disproportionately important role in the economy of Rhineland-Palatinate. In fact, with its high proportion of industry and elevated export ratio, these sectors shape the regional economy, accounting for 57% of total revenues in the federal state. Among the most important industrial sectors are the chemical industry, which includes BASF – the world's largest chemical site located in Ludwigshafen – as well as the pharmaceutical and biotechnology industries. Other important sectors include the automotive industry, mechanical engineering and the production of rubber and plastic goods. In 2025, economic output contracted by -0.5% year on year. Low unemployment is a positive aspect to be highlighted. At 5.5% last year, this was the third lowest value across Germany. With the "Rheinland-Pfalz Plan" – the largest investment drive in its history – the federal state will in future be making targeted investments to promote education, climate protection and infrastructure: this involves investment from the German federal government's special fund for infrastructure and climate protection to the tune of EUR 5.5bn. The funding period spans twelve years and provides planning certainty for municipalities and administrative bodies. In 2025, Rhineland-Palatinate generated economic output of EUR 185.3bn, which equated to just under 4.1% of Germany's national GDP. For the fifth year in succession, Rhineland-Palatinate posted a positive budget balance. This development can be primarily attributed to the reduced debt level and lower resulting interest expenses. At the same time, the marginal surplus of EUR 0.4m was actually the fourth highest in a Laender comparison. After having switched back to the beneficiary side of the federal financial equalisation system for the first time in 2024, the sub-sovereign again received payments amounting to EUR 756m last year.

Bundesland & politics

Link to the Ministry of Finance
[Homepage]

Population (2025)
4,123,022

State capital
Mainz

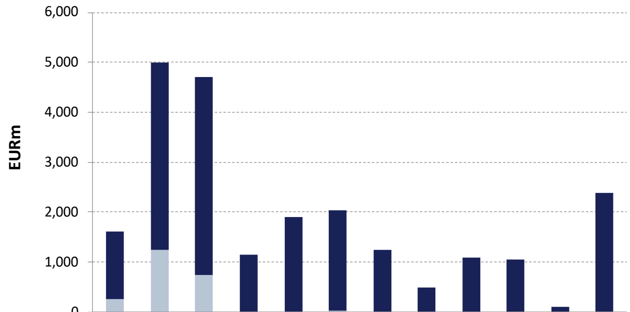
Government
CDU/SPD

Minister-President
Gordon Schnieder (CDU)

Expected next election date
Spring 2031

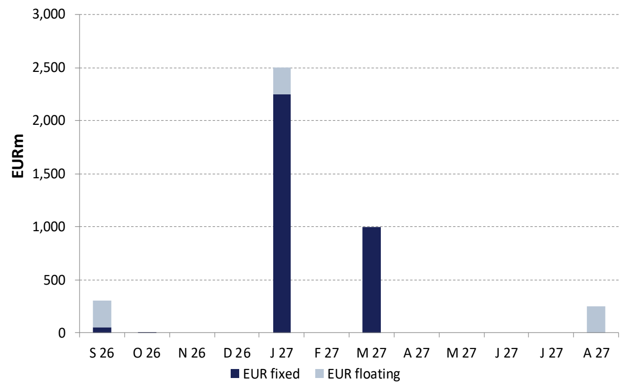
Ratings	Long-term	Outlook
Fitch	AAA	stab
Moody's	-	-
S&P	-	-
Scope	-	-

Overall maturity profile

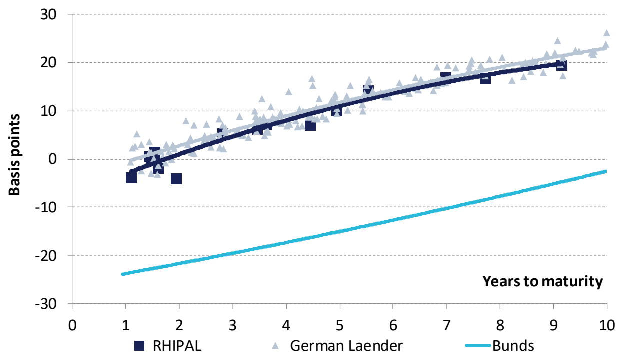


	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	>2036
EUR fixed	1,361	3,750	3,950	1,150	1,905	2,025	1,250	500	1,100	1,050	110	2,382
EUR floating	250	1,250	750	0	0	20	0	0	0	0	0	0

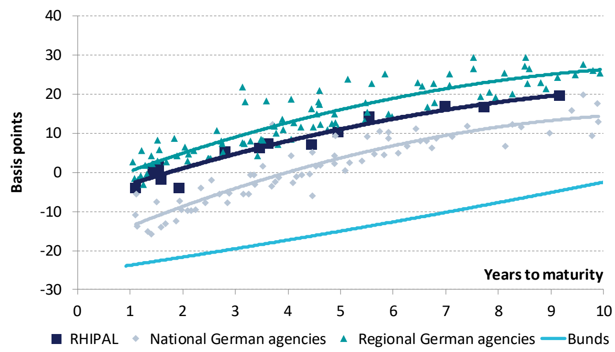
Bond amounts maturing in the next 12 months



ASW spreads vs. Bunds & peers



ASW spreads vs. Bunds & German agencies

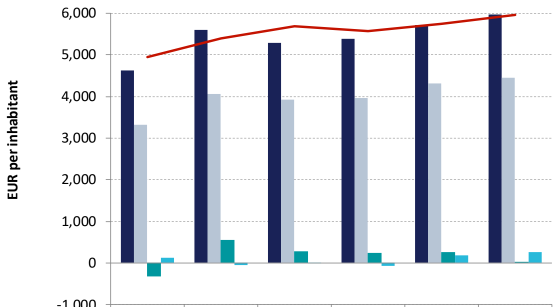


NB: Foreign currencies converted to EUR at rates as of 10 August 2026; residual term to maturity ≥1 year and ≤10 years; outstanding volume at least EUR 0.5bn.
Source: Bloomberg, NORD/LB Floor Research

Capital market	Economy 2025	Key figures 2025
Debt level* (ranking)**	**GDP (ranking)**	**Tax-interest coverage (ranking)**
EUR 28.4bn (10th)	EUR 185.3bn (7th)	46.3x (5th)
Outstanding bonds	**GDP per capita (ranking)**	**Total revenue/interest paid (ranking)**
EUR 22.8bn	EUR 44,936 (9th)	62.1x (6th)
ESG volume	**Real GDP growth (ranking)**	**Debt/GDP (ranking)**
EUR 0.0bn	-0.5% (14th)	15.3% (8th)
Bloomberg ticker	**Unemployment (ranking)**	**Debt/revenue (ranking)**
RHIPAL	5.5% (3rd)	1.16x (7th)

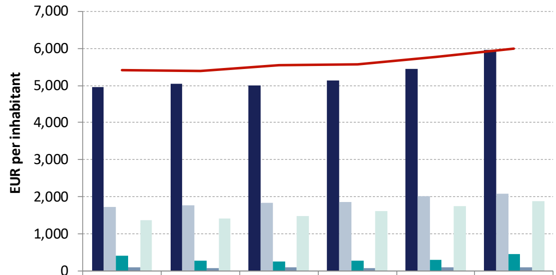
* As reported at the end of the previous year.
** Ranking of the sub-sovereign among the German Laender for the respective key figure, where 1 is the best figure in the Laender comparison.
Source: Federal Statistical Office, Federal Ministry of Finance, national accounts produced by the Laender, NORD/LB Floor Research

Development of revenue



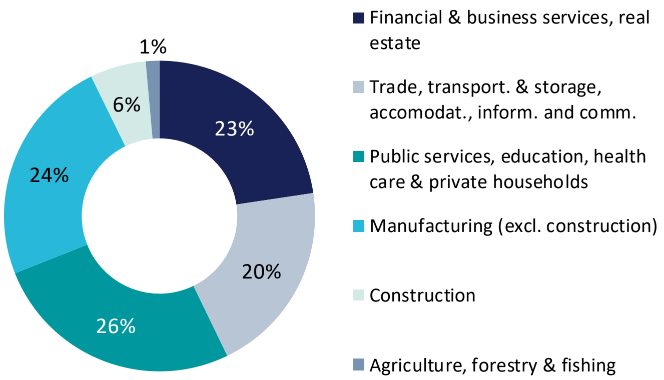
	2020	2021	2022	2023	2024	2025
Operating revenue	4,632	5,597	5,284	5,379	5,724	5,962
Tax revenue	3,327	4,051	3,923	3,953	4,321	4,446
Deficit/surplus	-328	559	289	240	268	0
Equalisation mechanism (net)	123	-58	-14	-66	187	271
Ø of operating revenues (non-city states)	4,940	5,401	5,680	5,571	5,748	5,962

Development of expenditure

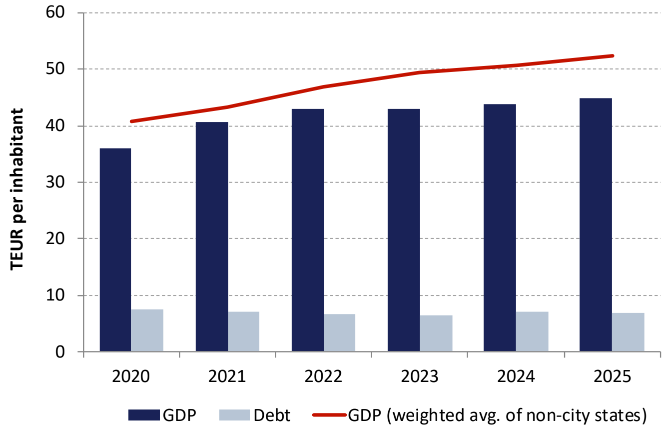


	2020	2021	2022	2023	2024	2025
Operating expense	4,960	5,038	4,995	5,138	5,456	5,962
Staff expenditure	1,723	1,778	1,830	1,867	2,004	2,091
Capital expenditure	403	279	254	273	306	443
Interest expense	91	81	90	81	91	96
Grants to municipals	1,363	1,421	1,480	1,613	1,745	1,875
Ø of operating expenses (non-city states)	5,407	5,385	5,545	5,571	5,783	6,006

Gross value added by economic sector



Trend in GDP and debt level



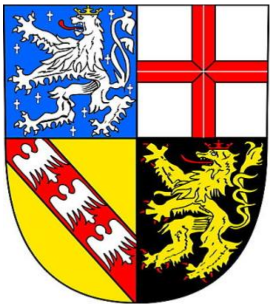
Source: Federal Statistical Office, Federal Ministry of Finance, national accounts produced by the Laender, NORD/LB Floor Research

Strengths/Chances

+ Solid budget metrics
+ Diversified economic structure
+ Low unemployment rate

Weaknesses/Risks

– Highly dependent on the chemicals industry
– Below-average per capita revenues
– Structural transformation



Bundesland & politics

Link to the Ministry of Finance

Homepage

Population (2025)

1,007,342

State capital

Saarbrücken

Government

SPD

Minister-President

Anke Rehlinger (SPD)

Expected next election date

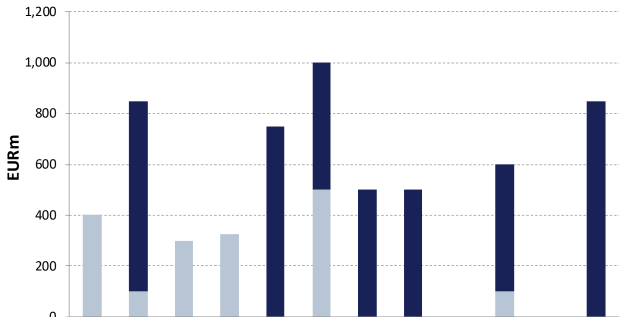
18 April 2027

Ratings	Long-term	Outlook
Fitch	AAA	stab
Moody's	-	-
S&P	-	-
Scope	-	-

Saarland

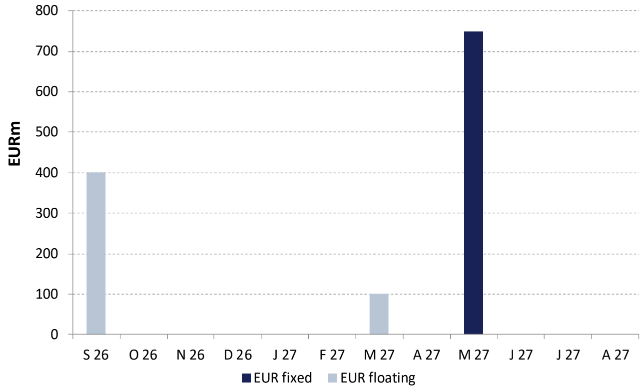
Covering an area of just 2,571km², Saarland is the smallest sub-sovereign making up the Federal Republic of Germany (excluding the city states). At the same time, its overall population of roughly 1.0 million people means that it is virtually twice as densely populated as the neighbouring federal state of Rhineland-Palatinate. Saarland is the youngest of the western German Laender: after the Second World War, the territory was initially a French protectorate until 1949 and an autonomous region until 1957, before being incorporated within the Federal Republic of Germany. In 2025, Saarland recorded the sharpest decline in real terms GDP across Germany (-0.9% Y/Y), whereby value added in manufacturing industries contracted particularly severely. Nevertheless, both the automotive and steel industries rank among the key sectors of the Saarland economy and together provide for around 50,000 jobs. However, both industries are in the midst of a transformation process, which is being driven by developments linked to climate change and digitalisation. Substantial investments in the steel industry on the part of the Bund and the Saarland government are being put towards new facilities to produce around 3.5 million tonnes of green steel. With this transition, CO_2 emissions are to be reduced by 55% compared with the reference year 1990. Moreover, as far as the automotive industry is concerned, the transition is chiefly focused on moving towards electrification and automation. In terms of the digital transformation, the federal state is laying the groundwork with plans for the "Digital Saarland 2035" strategy. The budget balance of Saarland amounted to EUR +59m last year (2024: EUR +201m), resulting in a per capita balance of EUR 58. Aside from the three city states, Saarland has the highest per capita debt level (EUR 12,436). Regarding key budget metrics such as tax-interest coverage and the ratio of total revenue to interest paid, Saarland again languishes towards the bottom end of the Laender ranking. However, the Stability Council no longer identifies an imminent budgetary crisis for the sub-sovereign. All the same, Saarland did once again receive restructuring aid of EUR 400m in 2025. At 7.4%, unemployment comes in above the national average of 6.3%.

Overall maturity profile

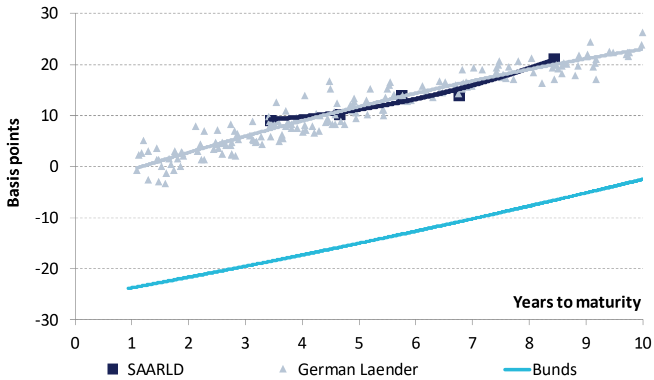


	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	>2036
EUR fixed	0	750	0	0	750	500	500	500	0	500	0	850
EUR floating	400	100	300	325	0	500	0	0	0	100	0	0

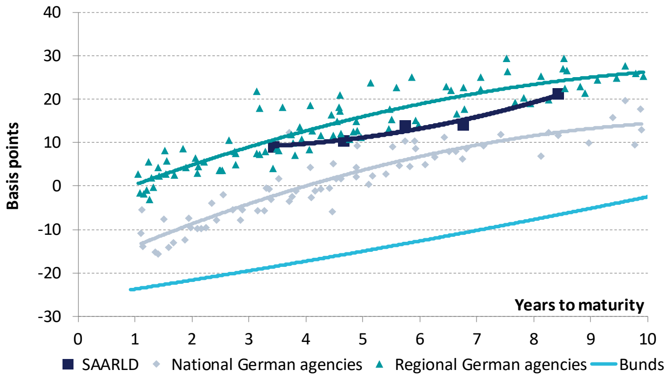
Bond amounts maturing in the next 12 months



ASW spreads vs. Bunds & peers



ASW spreads vs. Bunds & German agencies



NB: Foreign currencies converted to EUR at rates as of 10 August 2026; residual term to maturity ≥1 year and ≤10 years; outstanding volume at least EUR 0.5bn.
Source: Bloomberg, NORD/LB Floor Research

Capital market

Debt level* (ranking)**

EUR 12.5bn (3rd)

Outstanding bonds

EUR 6.1bn

ESG volume

EUR 0.0bn

Bloomberg ticker

SAARLD

Economy 2025

GDP (ranking)

EUR 43.2bn (15th)

GDP per capita (ranking)

EUR 42,859 (11th)

Real GDP growth (ranking)

-0.9% (16th)

Unemployment (ranking)

7.4% (10th)

Key figures 2025

Tax-interest coverage (ranking)

21.6x (15th)

Total revenue/interest paid (ranking)

30.7x (15th)

Debt/GDP (ranking)

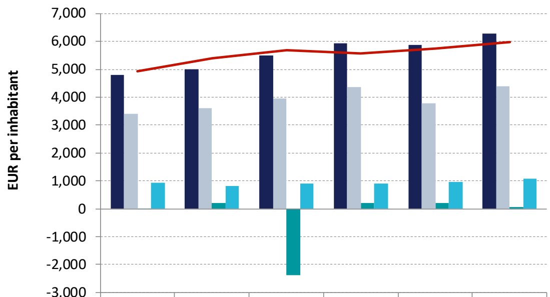
29.0% (14th)

Debt/revenue (ranking)

1.98x (15th)

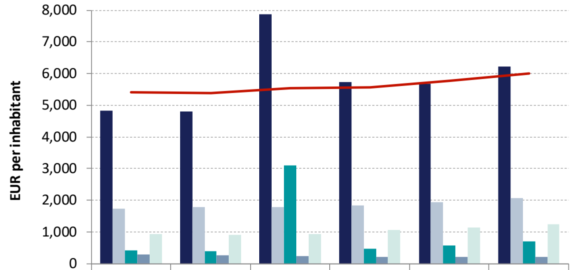
* As reported at the end of the previous year.
** Ranking of the sub-sovereign among the German Laender for the respective key figure, where 1 is the best figure in the Laender comparison.
Source: Federal Statistical Office, Federal Ministry of Finance, national accounts produced by the Laender, NORD/LB Floor Research

Development of revenue



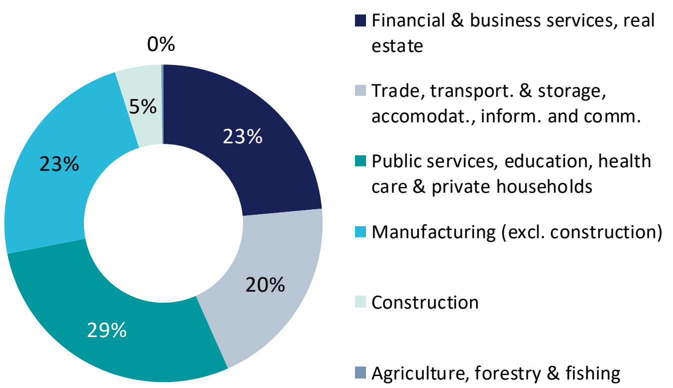
	2020	2021	2022	2023	2024	2025
Operating revenue	4,805	4,993	5,498	5,943	5,869	6,271
Tax revenue	3,395	3,598	3,969	4,358	3,783	4,401
Deficit/surplus	-24	193	-2,368	211	198	58
Equalisation mechanism (net)	936	827	893	905	969	1,079
Ø of operating revenues (non-city states)	4,940	5,401	5,680	5,571	5,748	5,962

Development of expenditure

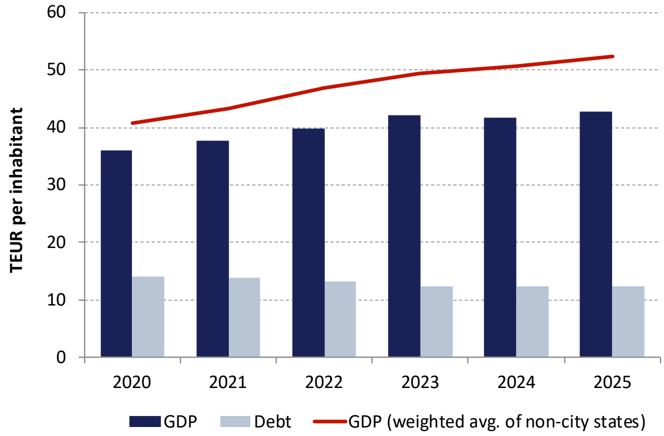


	2020	2021	2022	2023	2024	2025
Operating expense	4,829	4,800	7,866	5,732	5,671	6,213
Staff expenditure	1,726	1,778	1,775	1,829	1,944	2,059
Capital expenditure	404	397	3,091	467	567	702
Interest expense	292	256	246	212	210	204
Grants to municipals	926	915	919	1,055	1,139	1,236
Ø of operating expenses (non-city states)	5,407	5,385	5,545	5,571	5,783	6,006

Gross value added by economic sector



Trend in GDP and debt level



Source: Federal Statistical Office, Federal Ministry of Finance, national accounts produced by the Laender, NORD/LB Floor Research

Strengths/Chances

+ Low absolute debt level
+ Active promotion of more sustainable economy and industry
+ High export ratio

Weaknesses/Risks

– Long history of budget deficits
– Economic dependency on heavy industry
– Below-average debt sustainability and interest coverage

Bundesland & politics

Link to the Ministry of Finance
[Homepage]

Population (2025)
4,026,599

State capital
Dresden

Government
CDU/SPD

Minister-President
Michael Kretschmer (CDU)

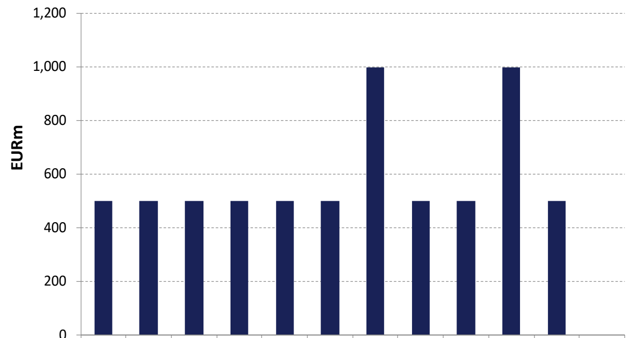
Expected next election date
Autumn 2029

Ratings	Long-term	Outlook
Fitch	-	-
Moody's	-	-
S&P	AAA	stab
Scope	-	-

Saxony

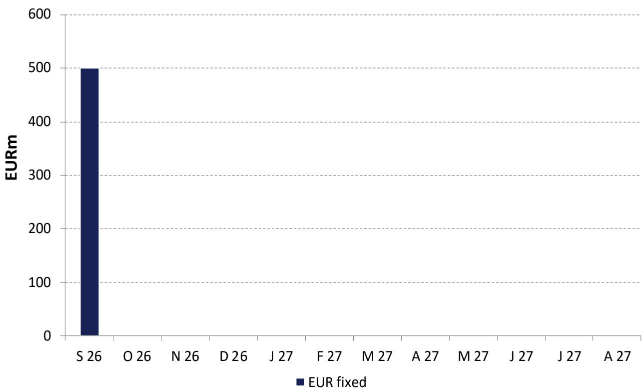
Covering an area of 18,450km² and with a population of around 4.0 million inhabitants, the Free State of Saxony is the most densely populated of the Eastern German Laender apart from the city state of Berlin. Since being established on 03 October 1990, the Free State has also been the strongest of the new German Laender in an economic sense. Saxony's three most important economic sectors are public and private sector services (I), manufacturing industries (II) as well as finance, rental and corporate services (III). Especially the latter sector has become increasingly important over recent decades. Since the reunification of Germany, numerous companies from a range of economic sectors have established a business presence in Saxony. In particular, businesses from the microelectronics and electrical engineering sectors as well as mechanical engineering and the automotive industry have settled in the Free State. To bolster this trend, Saxony is pursuing an innovation strategy aimed at transforming the sub-sovereign into one of Europe's leading scientific and economic regions by 2030. To achieve this goal, the Free State is implementing measures intended to improve the innovative capacity and competitive standing of SMEs in particular. Past investments in infrastructure and in adding extra scientific expertise at universities have paid off: Saxony occupies top spot in the Education Monitor. Both the economic and academic development of the sub-sovereign have turned Saxony into an ideal ecosystem to promote innovation and support growth. In 2025, the economy in Saxony generated GDP of EUR 168.0bn, which equated to 3.8% of total economic output in Germany. Traditionally, the Free State has been and remains to this day one of the largest recipients within the federal financial equalisation system, although at the same time it has also had one of the best budgetary situations too. In this respect, Saxony regularly sits at the top of the Laender tables for key budget metrics. Saxony enjoys a high degree of financial flexibility thanks to its debt level, which is the lowest of all German sub-sovereigns. However, in terms of unemployment and real GDP growth, Saxony is ranked in mid-table, while GDP per capita remains comparatively low at EUR 41,716.

Overall maturity profile

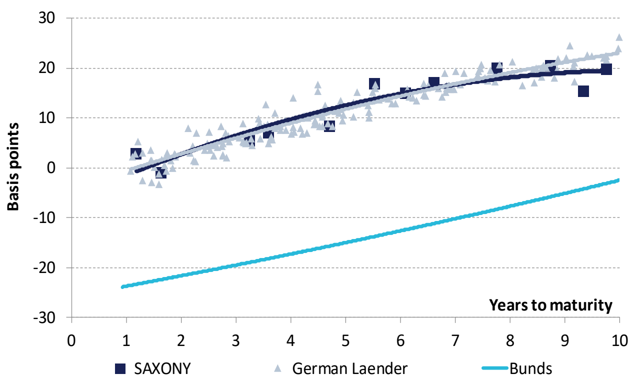


	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	>2036
EUR fixed	500	500	500	500	500	500	1,000	500	500	1,000	500	0

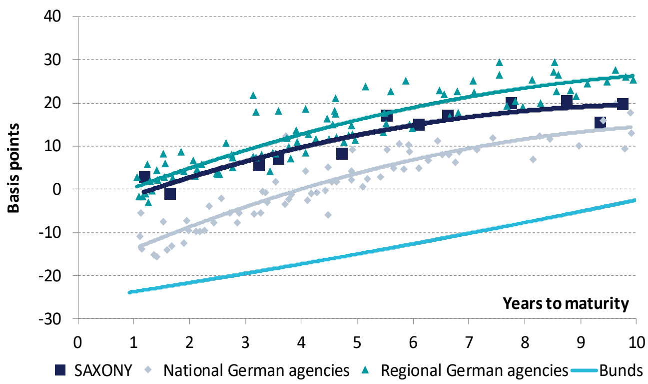
Bond amounts maturing in the next 12 months



ASW spreads vs. Bunds & peers



ASW spreads vs. Bunds & German agencies

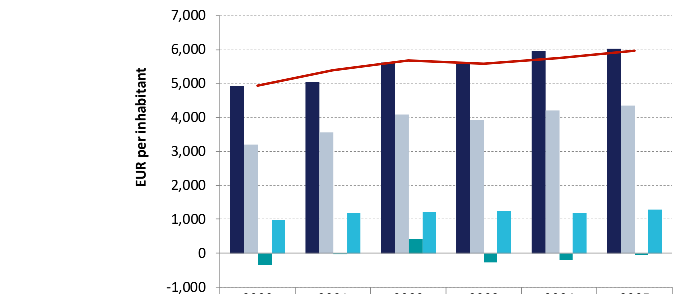


NB: Foreign currencies converted to EUR at rates as of 10 August 2026; residual term to maturity ≥1 year and ≤10 years; outstanding volume at least EUR 0.5bn.
Source: Bloomberg, NORD/LB Floor Research

Capital market	Economy 2025	Key figures 2025
Debt level* (ranking)**	**GDP (ranking)**	**Tax-interest coverage (ranking)**
EUR 5.0bn (1st)	EUR 168.0bn (9th)	180.9x (1st)
Outstanding bonds	**GDP per capita (ranking)**	**Total revenue/interest paid (ranking)**
EUR 6.5bn	EUR 41,716 (12th)	250.7x (1st)
ESG volume	**Real GDP growth (ranking)**	**Debt/GDP (ranking)**
EUR 0.0bn	-0.2% (10th)	3.0% (2nd)
Bloomberg ticker	**Unemployment (ranking)**	**Debt/revenue (ranking)**
SAXONY	6.9% (9th)	0.21x (1st)

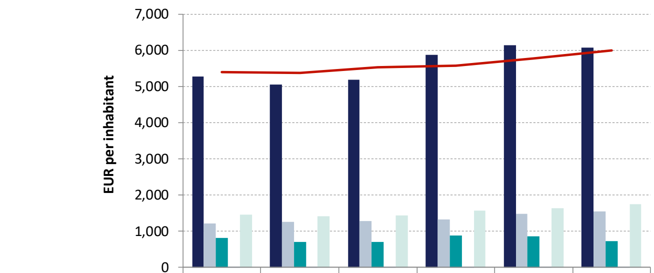
* As reported at the end of the previous year.
** Ranking of the sub-sovereign among the German Laender for the respective key figure, where 1 is the best figure in the Laender comparison.
Source: Federal Statistical Office, Federal Ministry of Finance, national accounts produced by the Laender, NORD/LB Floor Research

Development of revenue



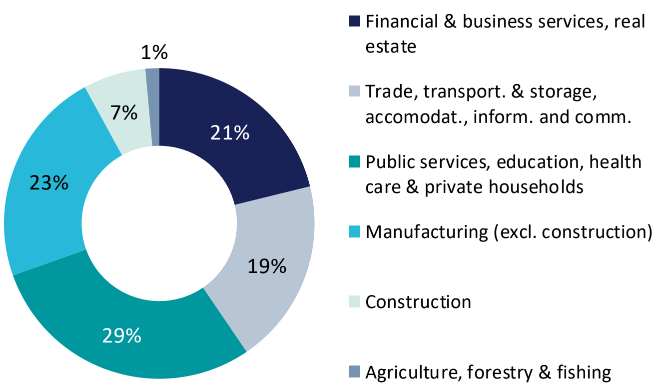
	2020	2021	2022	2023	2024	2025
Operating revenue	4,936	5,050	5,611	5,597	5,943	6,021
Tax revenue	3,199	3,567	4,076	3,908	4,198	4,343
Deficit/surplus	-351	-2	428	-279	-208	-59
Equalisation mechanism (net)	984	1,195	1,221	1,239	1,189	1,286
Ø of operating revenues (non-city states)	4,940	5,401	5,680	5,571	5,748	5,962

Development of expenditure

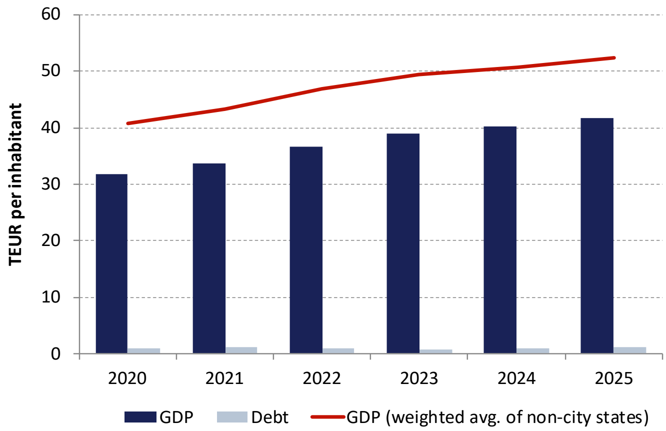


	2020	2021	2022	2023	2024	2025
Operating expense	5,287	5,052	5,183	5,876	6,151	6,080
Staff expenditure	1,220	1,250	1,289	1,334	1,479	1,547
Capital expenditure	811	711	695	891	860	723
Interest expense	19	19	12	10	18	24
Grants to municipals	1,452	1,407	1,439	1,575	1,644	1,748
Ø of operating expenses (non-city states)	5,407	5,385	5,545	5,571	5,783	6,006

Gross value added by economic sector



Trend in GDP and debt level



Source: Federal Statistical Office, Federal Ministry of Finance, national accounts produced by the Laender, NORD/LB Floor Research

Strengths/Chances

+ Healthy debt sustainability and interest coverage
+ Low absolute debt level
+ Well-diversified economy
+ Highly attractive urban centres

Weaknesses/Risks

– Below-average economic output in per capita terms
– Demographic trend as a risk factor
– Major regional disparities between growing cities and structurally weak regions

Bundesland & politics

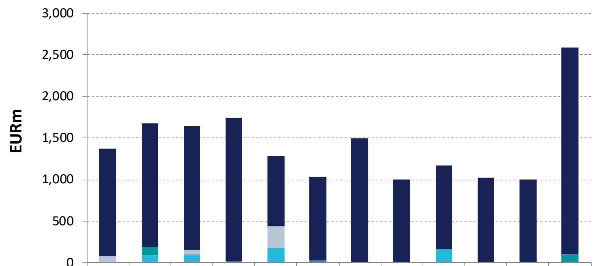
Link to the Ministry of Finance
Homepage
Population (2025)
2,120,252
State capital
Magdeburg
Government
CDU/SPD/FDP
Minister-President
Sven Schulze (CDU)
Expected next election date
06 September 2026

Ratings	Long-term	Outlook
Fitch	AAA	stab
Moody's	Aa1	stab
S&P	-	-
Scope	AAA	stab

Saxony-Anhalt

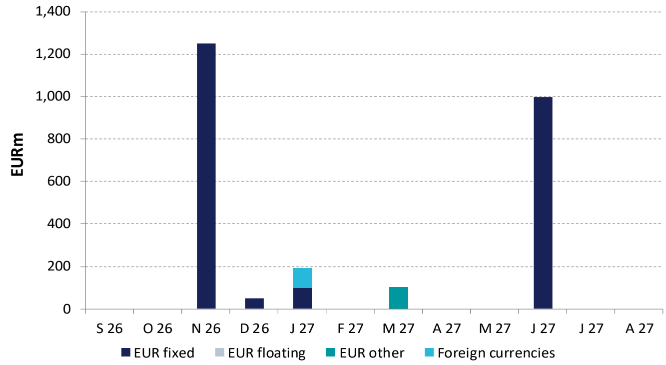
With a population of just over 2.1 million people living across an area of 20,459km^2, the federal state of Saxony-Anhalt has the third-lowest population density of all German Laender. As is the case with the other East German sub-sovereigns, Saxony-Anhalt came into existence on 03 October 1990 in the wake of German reunification. Key pillars of the economy include manufacturing industries in particular, in addition to the service sector and the transport and logistics sector. According to our NORD/LB Regional Economy report (German only), around 80% of employees at the 100 largest companies in Saxony-Anhalt (as measured by employee numbers) are active in these three economic sectors. The manufacturing industries are dominated by the chemicals sector, the food industry, mechanical engineering and metalwork. Most of the 100 largest enterprises are based in the region between Wernigerode, Magdeburg and Halle. In addition to the economic sectors mentioned above, agriculture also plays an important role. Moreover, new industries such as biotechnology and life sciences have become established too. Saxony-Anhalt is a pioneer in the field of renewable energies, with around two thirds of green electricity generated on the basis of wind energy. The federal state remains committed to expanding its research infrastructure in the areas of engineering, environmental and life sciences, with targeted infrastructure investments having been made since reunification to address structural weaknesses in this sparsely populated sub-sovereign. One example of this is the project to connect the industrial port at Magdeburg to the European waterway network. Furthermore, the creation of a high-tech industrial area around the state capital is being advanced in order to position the region in the long term as an innovation and technology location for the global market. With GDP of EUR 81.8bn, Saxony-Anhalt was responsible for 1.8% of total economic output in Germany in 2025. Since its inception, Saxony-Anhalt has always received payments under the federal financial equalisation system. On the funding side, Saxony-Anhalt has been active as an issuer of social bonds since 2023, with a second transaction carried out in this category in 2025. In fact, the sub-sovereign is presently the sole issuer of social bonds in the German Laender segment.

Overall maturity profile

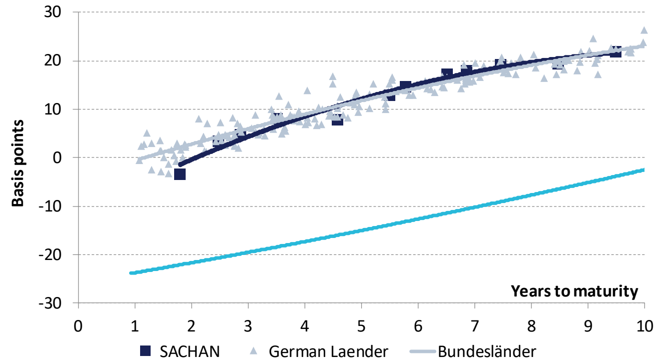


	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	>2036
EUR fixed	1,300	1,480	1,490	1,720	850	1,000	1,500	1,000	1,000	1,025	1,000	2,490
EUR floating	70	0	50	0	250	0	0	0	0	0	0	0
EUR other	0	102	10	10	0	30	0	0	0	0	0	100
Foreign currencies	0	91	91	11	182	0	0	0	171	0	0	0

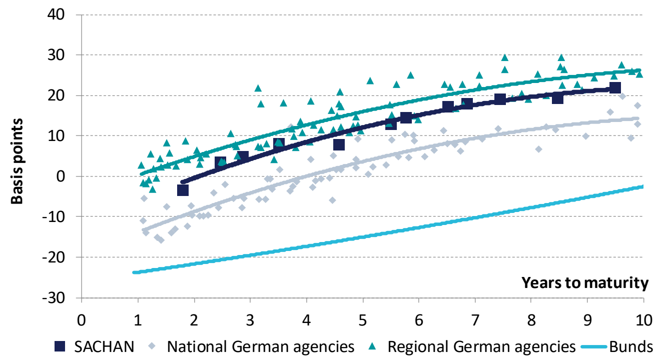
Bond amounts maturing in the next 12 months



ASW spreads vs. Bunds & peers



ASW spreads vs. Bunds & German agencies



NB: Foreign currencies converted to EUR at rates as of 10 August 2026; residual term to maturity ≥1 year and ≤10 years; outstanding volume at least EUR 0.5bn.
Source: Bloomberg, NORD/LB Floor Research

Capital market

Debt level* (ranking)**
EUR 23.6bn (7th)

Outstanding bonds
EUR 17.0bn

ESG volume
EUR 1.0bn

Bloomberg ticker
SACHAN

Economy 2025

GDP (ranking)
EUR 81.8bn (12th)

GDP per capita (ranking)
EUR 38,559 (16th)

Real GDP growth (ranking)
-0.2% (10th)

Unemployment (ranking)
8.0% (12th)

Key figures 2025

Tax-interest coverage (ranking)
26.8x (12th)

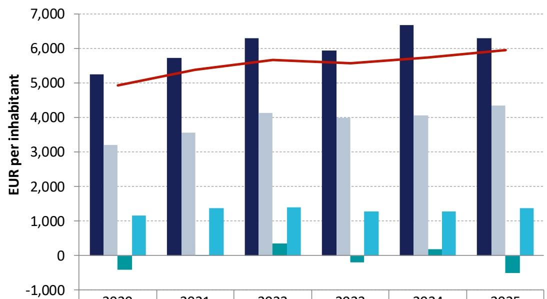
Total revenue/interest paid (ranking)
38.7x (10th)

Debt/GDP (ranking)
28.9% (13th)

Debt/revenue (ranking)
1.77x (13th)

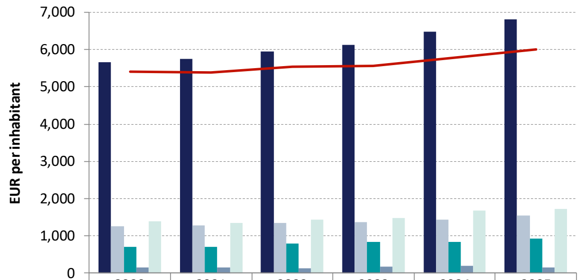
* As reported at the end of the previous year.
** Ranking of the sub-sovereign among the German Laender for the respective key figure, where 1 is the best figure in the Laender comparison.
Source: Federal Statistical Office, Federal Ministry of Finance, national accounts produced by the Laender, NORD/LB Floor Research

Development of revenue



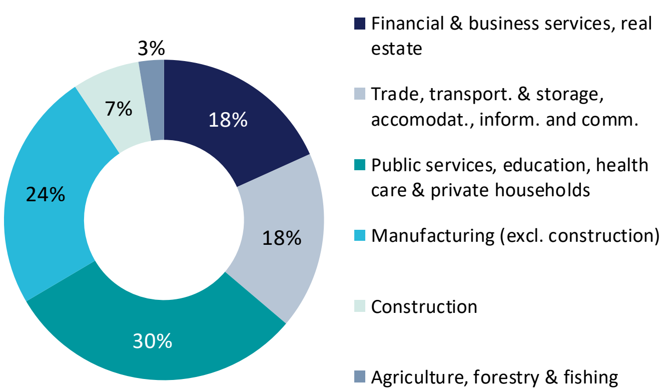
	2020	2021	2022	2023	2024	2025
Operating revenue	5,253	5,746	6,306	5,938	6,679	6,295
Tax revenue	3,217	3,563	4,132	3,997	4,077	4,351
Deficit/surplus	-411	2	365	-184	195	-508
Equalisation mechanism (net)	1,175	1,386	1,403	1,290	1,279	1,384
Ø of operating revenues (non-city states)	4,940	5,401	5,680	5,571	5,748	5,962

Development of expenditure

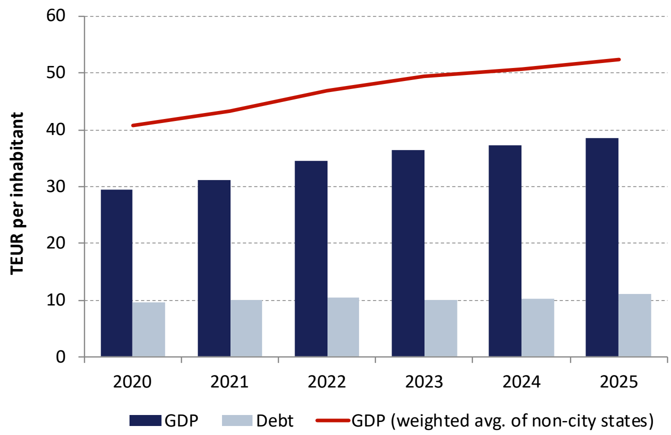


	2020	2021	2022	2023	2024	2025
Operating expense	5,664	5,744	5,941	6,122	6,484	6,803
Staff expenditure	1,257	1,278	1,336	1,377	1,436	1,557
Capital expenditure	715	716	793	838	843	933
Interest expense	150	154	127	177	187	163
Grants to municipals	1,391	1,357	1,425	1,486	1,688	1,718
Ø of operating expenses (non-city states)	5,407	5,385	5,545	5,571	5,783	6,006

Gross value added by economic sector



Trend in GDP and debt level



Source: Federal Statistical Office, Federal Ministry of Finance, national accounts produced by the Laender, NORD/LB Floor Research

Strengths/Chances

+ Manufacturing industries prominent
+ Low personnel expenses and pension liabilities

Weaknesses/Risks

– Lowest economic output in per capita terms
– Below-average debt sustainability

Bundesland & politics

Link to the Ministry of Finance

[Homepage]

Population (2025)

2,958,519

State capital

Kiel

Government

CDU/Greens

Minister-President

Daniel Günther (CDU)

Expected next election date

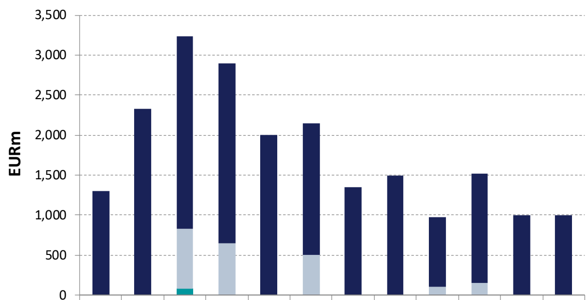
18 April 2027

Ratings	Long-term	Outlook
Fitch	AAA	stab
Moody's	-	-
S&P	-	-
Scope	-	-

Schleswig-Holstein

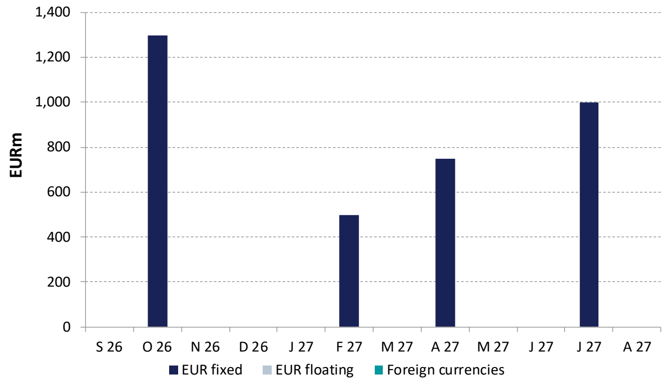
With an area of 15,804km^2, Schleswig-Holstein is the smallest non-city state in Germany except for Saarland. Founded on 23 August 1946, it was the first federal state to ratify its own state constitution after the promulgation of the Basic Law. Steady growth in tourism has seen this sector become a vital pillar of the economy of Schleswig-Holstein. The strong figures seen in recent years were replicated and even increased slightly in 2025, so that another new record in overnight stays was achieved for the fourth year in a row. In terms of gross value added, the service sector is highly dominant as well. The economy of Schleswig-Holstein is shaped by regionally established, internationally active SMEs. As a business location, Schleswig-Holstein boasts a widely diversified industrial structure, including the food industry, mechanical engineering, the chemicals and pharmaceuticals industry, as well as medical technology. Traditionally, fishing has also been an important area of the economy, although catch volumes have been in decline in both of the two previous years. Located between the North Sea and Baltic Sea, the sub-sovereign accordingly focuses on the maritime economy and the renewable energy sector, with a particular emphasis in this regard on electricity generated by way of wind power. For example, Schleswig-Holstein is pursuing the aim of becoming a pioneer in the energy transition and has additionally set its sights on becoming an exporter of green energy. The federal state government underlined these ambitions to become a more sustainable energy economy by recently adopting the Energy Transformation and Climate Protection Act, which supplements existing efforts in the area of wind power by expanding photovoltaic capacities and establishing municipal heating networks. By 2030, Schleswig-Holstein is striving to cut greenhouse gas emissions by at least 65% compared with the levels recorded in 1990; thereafter, greenhouse gas neutrality is to be achieved by 2040. In 2025, Schleswig-Holstein generated GDP of EUR 131.2bn, which corresponds to roughly 2.9% of economic output at national level. At the same time, real GDP growth of +0.9% was recorded. At 5.9%, unemployment in Schleswig-Holstein is below the national average (6.3%).

Overall maturity profile

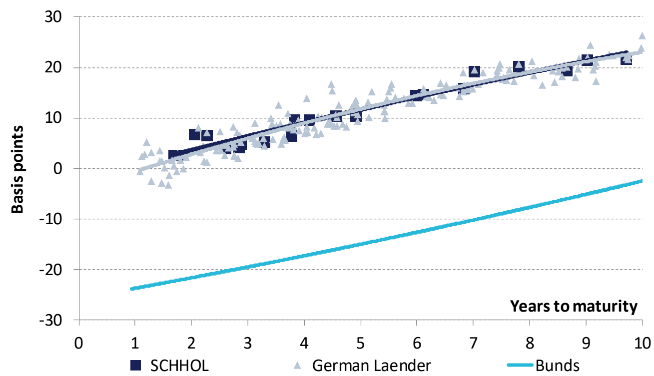


	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	>2036
EUR fixed	1,300	2,325	2,400	2,250	2,000	1,650	1,350	1,500	875	1,375	1,000	1,000
EUR floating	0	0	750	650	0	500	0	0	100	150	0	0
Foreign currencies	0	0	86	0	0	0	0	0	0	0	0	0

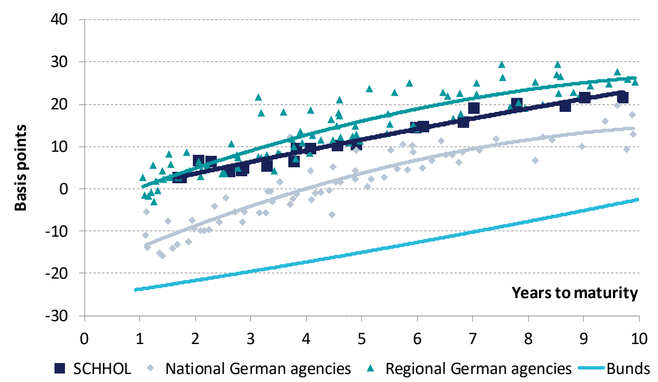
Bond amounts maturing in the next 12 months



ASW spreads vs. Bunds & peers



ASW spreads vs. Bunds & German agencies



NB: Foreign currencies converted to EUR at rates as of 10 August 2026; residual term to maturity ≥1 year and ≤10 years; outstanding volume at least EUR 0.5bn.
Source: Bloomberg, NORD/LB Floor Research

Capital market

Debt level* (ranking)**
EUR 32.1bn (11th)

Outstanding bonds
EUR 21.3bn

ESG volume
EUR 0.0bn

Bloomberg ticker
SCHHOL

Economy 2025

GDP (ranking)
EUR 131.2bn (10th)

GDP per capita (ranking)
EUR 44,363 (10th)

Real GDP growth (ranking)
0.9% (4th)

Unemployment (ranking)
5.9% (5th)

Key figures 2025

Tax-interest coverage (ranking)
25.4x (13th)

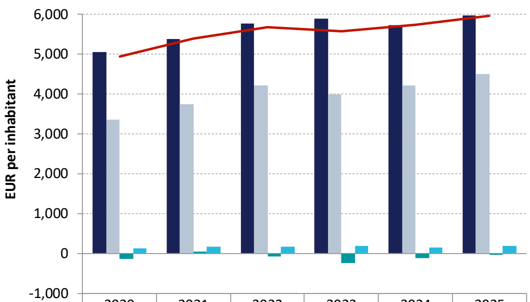
Total revenue/interest paid (ranking)
33.7x (13th)

Debt/GDP (ranking)
24.5% (12th)

Debt/revenue (ranking)
1.82x (14th)

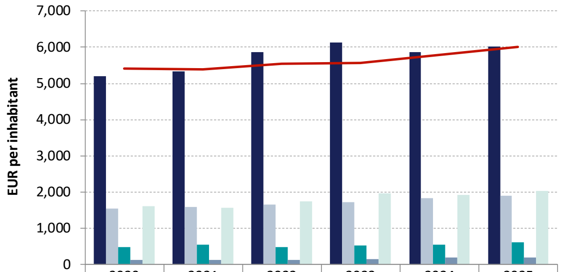
* As reported at the end of the previous year.
** Ranking of the sub-sovereign among the German Laender for the respective key figure, where 1 is the best figure in the Laender comparison.
Source: Federal Statistical Office, Federal Ministry of Finance, national accounts produced by the Laender, NORD/LB Floor Research

Development of revenue



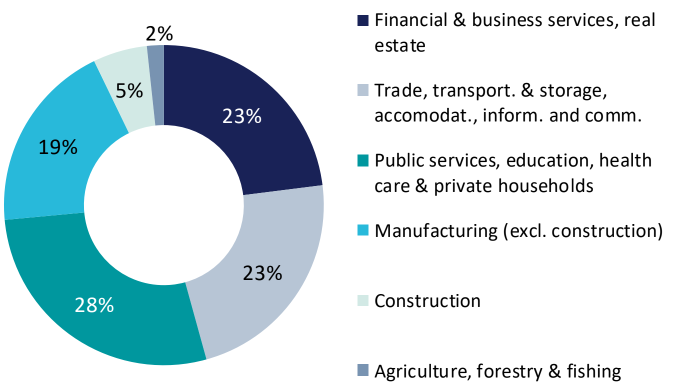
	2020	2021	2022	2023	2024	2025
Operating revenue	5,052	5,381	5,781	5,905	5,729	5,985
Tax revenue	3,354	3,753	4,211	3,997	4,217	4,508
Deficit/surplus	-147	45	-75	-234	-129	-31
Equalisation mechanism (net)	128	172	161	189	144	180
Ø of operating revenues (non-city states)	4,940	5,401	5,680	5,571	5,748	5,962

Development of expenditure

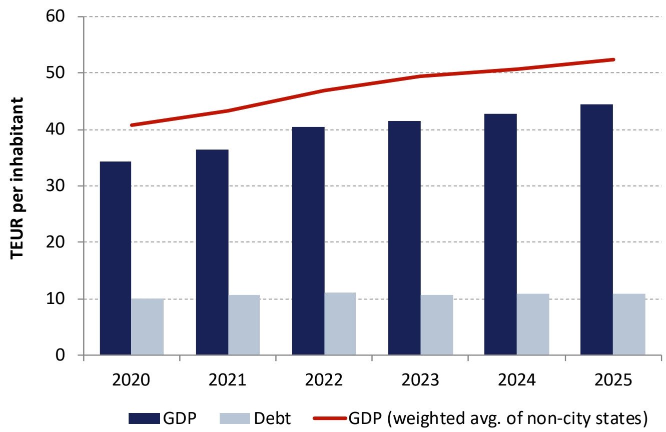


	2020	2021	2022	2023	2024	2025
Operating expense	5,199	5,336	5,856	6,139	5,857	6,016
Staff expenditure	1,547	1,592	1,647	1,708	1,830	1,894
Capital expenditure	477	534	471	527	551	604
Interest expense	112	115	120	152	189	178
Grants to municipals	1,614	1,569	1,744	1,955	1,920	2,029
Ø of operating expenses (non-city states)	5,407	5,385	5,545	5,571	5,783	6,006

Gross value added by economic sector



Trend in GDP and debt level



Source: Federal Statistical Office, Federal Ministry of Finance, national accounts produced by the Laender, NORD/LB Floor Research

Strengths/Chances

+ Well-diversified economy
+ Relatively subdued unemployment rate
+ Beneficiary of the energy transition

Weaknesses/Risks

– Below-average debt sustainability and interest coverage
– Low economic output in per capita terms

Bundesland & politics

Link to the Ministry of Finance
[Homepage]

Population (2025)
2,078,946

State capital
Erfurt

Government
CDU/BSW/SPD

Minister-President
Mario Voigt (CDU)

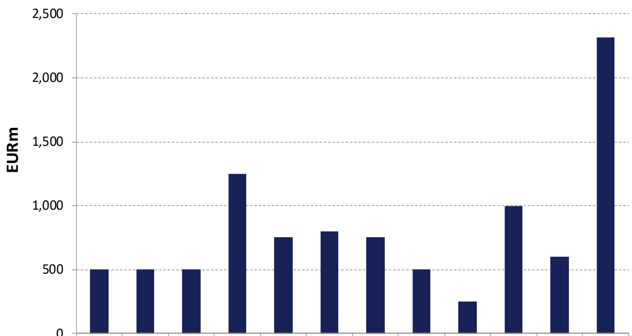
Expected next election date
Autumn 2029

Ratings	Long-term	Outlook
Fitch	AAA	stab
Moody's	-	-
S&P	-	-
Scope	-	-

Thuringia

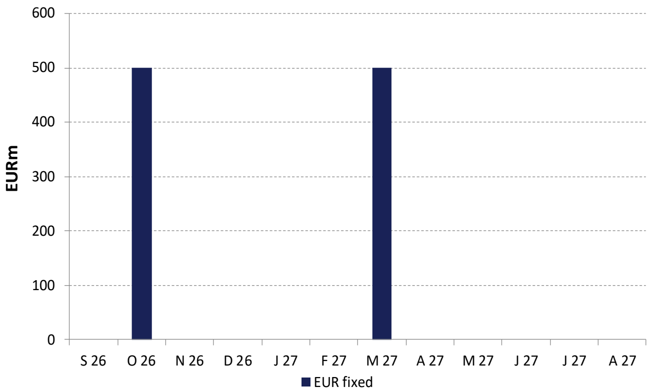
Covering an area of 16,202km^2, the Free State of Thuringia is the smallest of the East German Laender in terms of area (excluding the city state of Berlin). However, with a population of nearly 2.1 million people, only Saxony is more densely populated among the non-city states of Eastern Germany. The federal state, which was established in 1990, has an economy dominated in particular by the public and private service sector, as well as manufacturing industries. In fact, the latter accounts for a greater proportion of gross value added than in any other of the eastern German Laender. Including the construction sector, which with a share of 6.1% is well above the national average in Germany, this sector is responsible for generating practically one third of the federal state's overall gross value added. A large part of Thuringia's economic output is attributable to the region around the chain of cities extending from Erfurt to Jena via Weimar. The economy of the Free State is also characterised by a distinct capacity for innovation, in which targeted investments continue to be made. The automotive and mechanical engineering sectors as well as the optical and medical technology sectors are of particular importance in this regard. Thuringia boasts a broadly diversified network of scientific- and research institutions, including 14 universities and numerous extramural research institutions. Key locations in this regard include Jena, Erfurt and Ilmenau with its University of Technology. After finishing in fourth place in the Education Monitor 2024, Thuringia slipped one place to fifth for 2025. Nevertheless, this continues to represent a decent starting point, as Thuringia seeks to confront issues such as a lack of skilled workers and demographic trends, which are factors that represent major challenges for this sub-sovereign as well. The Free State's vision includes closing the gap to the leading group of non-city states in terms of digital infrastructure within the next decade. At 6.4% in the previous year, unemployment is more or less on a par with the national average (6.3%). Moreover, with GDP of EUR 80.6bn, the Free State contributes around 1.8% to national economic output. Since its inclusion in the federal financial equalisation system, Thuringia has always been a net recipient.

Overall maturity profile

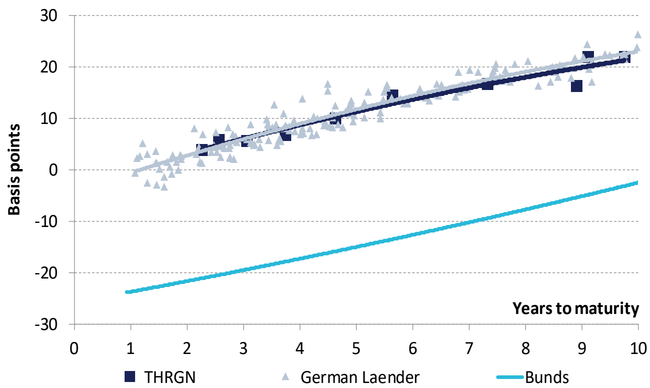


	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	>2036
EUR fixed	500	500	500	1,250	750	800	750	500	250	1,000	600	2,315

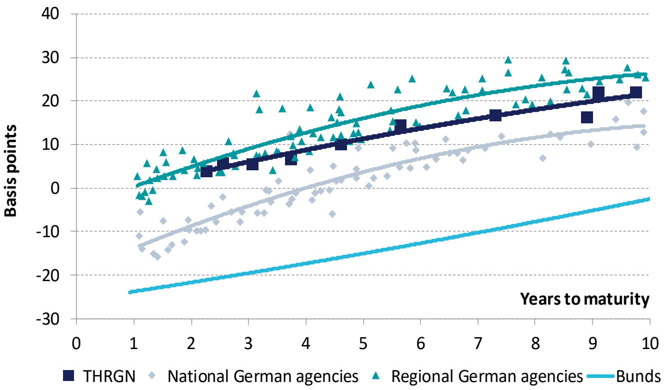
Bond amounts maturing in the next 12 months



ASW spreads vs. Bunds & peers



ASW spreads vs. Bunds & German agencies



NB: Foreign currencies converted to EUR at rates as of 10 August 2026; residual term to maturity ≥1 year and ≤10 years; outstanding volume at least EUR 0.5bn.
Source: Bloomberg, NORD/LB Floor Research

Capital market

Debt level* (ranking)**
EUR 15.0bn (4th)

Outstanding bonds
EUR 9.7bn

ESG volume
EUR 0.0bn

Bloomberg ticker
THRGN

Economy 2025

GDP (ranking)
EUR 80.6bn (13th)

GDP per capita (ranking)
EUR 38,788 (15th)

Real GDP growth (ranking)
0.4% (8th)

Unemployment (ranking)
6.4% (7th)

Key figures 2025

Tax-interest coverage (ranking)
42.7x (8th)

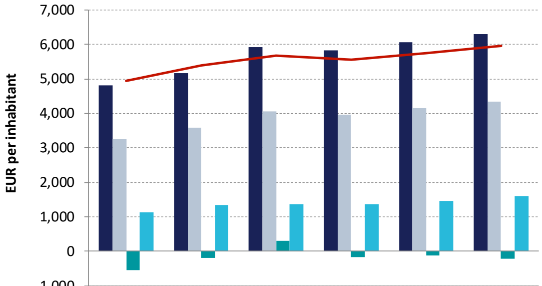
Total revenue/interest paid (ranking)
61.8x (7th)

Debt/GDP (ranking)
18.6% (10th)

Debt/revenue (ranking)
1.15x (6th)

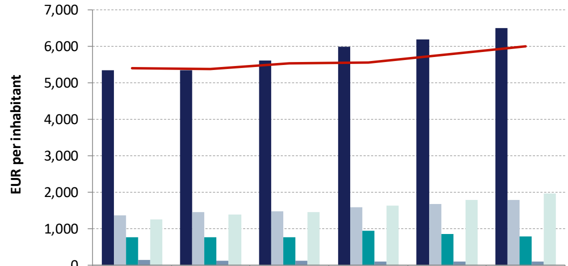
* As reported at the end of the previous year.
** Ranking of the sub-sovereign among the German Laender for the respective key figure, where 1 is the best figure in the Laender comparison.
Source: Federal Statistical Office, Federal Ministry of Finance, national accounts produced by the Laender, NORD/LB Floor Research

Development of revenue



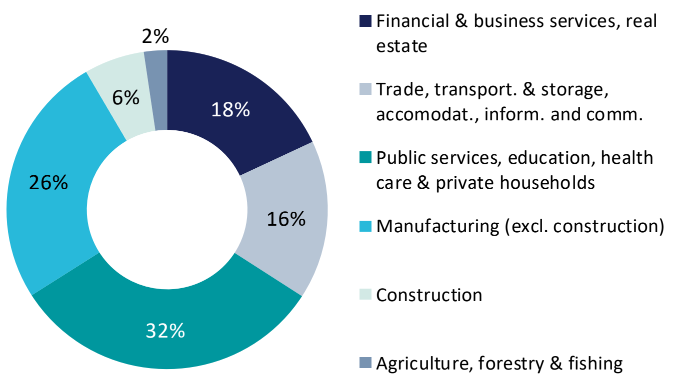
	2020	2021	2022	2023	2024	2025
Operating revenue	4,808	5,172	5,922	5,842	6,081	6,295
Tax revenue	3,258	3,580	4,063	3,965	4,151	4,351
Deficit/surplus	-550	-185	301	-165	-114	-215
Equalisation mechanism (net)	1,139	1,340	1,376	1,373	1,460	1,594
Ø of operating revenues (non-city states)	4,940	5,401	5,680	5,571	5,748	5,962

Development of expenditure

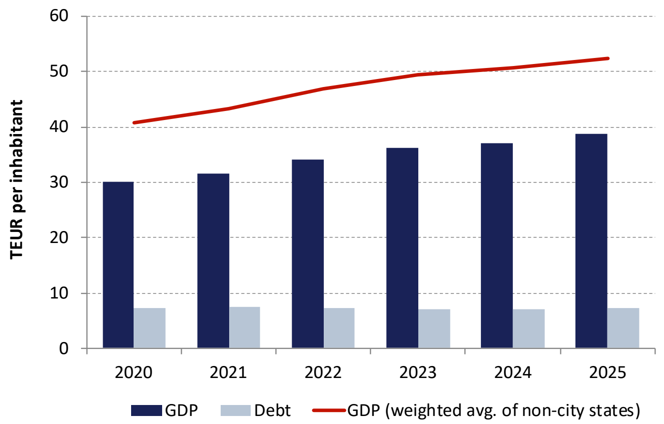


	2020	2021	2022	2023	2024	2025
Operating expense	5,359	5,356	5,621	6,008	6,195	6,510
Staff expenditure	1,374	1,455	1,488	1,602	1,678	1,795
Capital expenditure	764	775	758	949	867	800
Interest expense	136	130	116	106	100	102
Grants to municipals	1,269	1,393	1,468	1,629	1,800	1,973
Ø of operating expenses (non-city states)	5,407	5,385	5,545	5,571	5,783	6,006

Gross value added by economic sector



Trend in GDP and debt level



Source: Federal Statistical Office, Federal Ministry of Finance, national accounts produced by the Laender, NORD/LB Floor Research

Strengths/Chances

+ Low absolute debt level
+ Manufacturing industries prominent
+ Low level of pension liabilities
+ Well-developed education system

Weaknesses/Risks

– Below-average economic output per capita
– Demographic trend as a risk factor
– Strained municipal financing situation

Link to bond overview

[Homepage]

Ratings

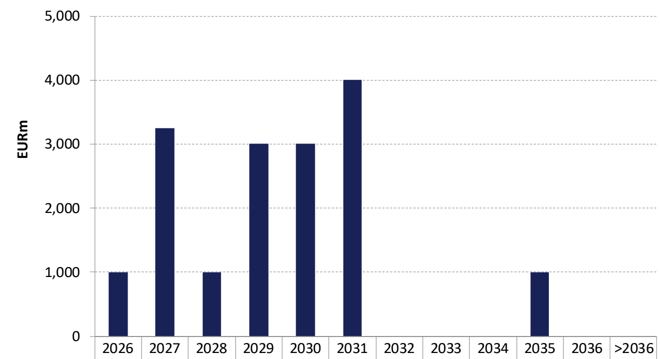
	Long-term	Outlook
Fitch	AAA*	-
Moody's	-	-
S&P	-	-
Scope	-	-

* Issuer ratings not available. However, Fitch awards a rating for each individual bond.

Gemeinschaft deutscher Laender (Joint Laender)

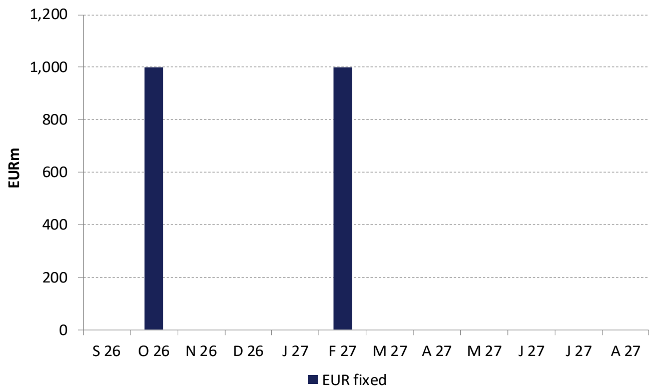
An idiosyncrasy of the bond market in general, and one specific to Germany, is the Joint Laender issuance vehicle (Gemeinschaft deutscher Laender; ticker: LANDER). Within this framework, several Laender come together to issue joint bonds ("Laender jumbos"; issuance volumes EUR ≥1bn), whereby each federal state assumes several (but not joint) liability for the overall issuance. As a result, joint and several liability structures do not exist for such deals. The first time that several Laender teamed up 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 joint bonds on a semi-regular basis (mostly twice per year in the past). The large-volume Laender jumbos enable the sub-sovereigns involved, which are characterised by comparatively low refinancing requirements, to generate economies of scale that are reflected in lower interest expenses. In total, six Laender (G6) remain involved in the outstanding bond issues. Saxony-Anhalt, Hesse and NRW ceased to use Laender jumbos as a funding instrument after the first issuance in 1996, and with Berlin subsequently opting not to participate in the joint issuance vehicle since 2002, Bremen, Hamburg, Mecklenburg-Western Pomerania, Rhineland-Palatinate, Saarland and Schleswig-Holstein have at times made use of Laender jumbos as a key funding instrument. Following the maturity of Bond No. 47 in February 2025, Brandenburg dropped out of this group of issuers. As a result of the particular structure of the Joint Laender issuance vehicle, there is no issuer rating. Instead, Fitch rates each individual issuance 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 assigned a rating of AAA to all bonds. As justification for the rating, Fitch cites the system comprising 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 the rating agency generally sees an exceptionally low default risk (AAA). In total, the outstanding volume attributable to the Joint Laender issuance vehicle amounts to EUR 16.3bn, which is split between 16 separate bond issues. As such, Joint Laender can be regarded as a major player on the market for German Laender bonds. The outstanding volume is entirely denominated in EUR 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 issuance vehicle has subsequently refrained from using this instrument for joint refinancing. Here, too, the coupon was at times as low as 0.0% or 0.01%. The first year in which a zero preceded the decimal point was 2015. There have now been 68 separate bond deals issued under the LANDER ticker. Deal #67 is the bond with the longest outstanding maturity and is set to fall due in September 2035, while the largest bond outstanding features a volume of EUR 1.25bn (#53). In 2026, one new deal (5y) has so far been placed under the LANDER ticker. A volume of EUR 1bn was chosen for this deal, which was priced at ms +13bp, with participation from only three different Laender.

Overall maturity profile



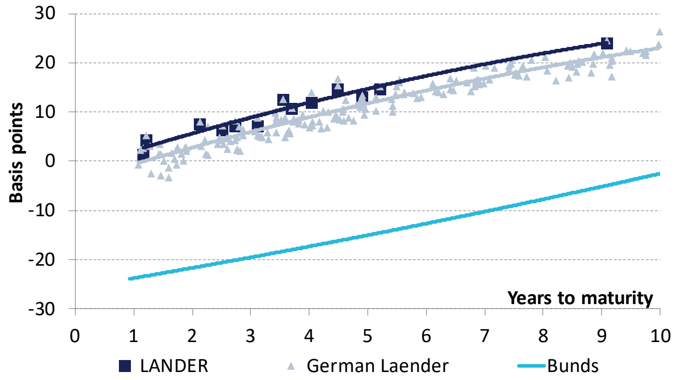
	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	>2036
EUR fixed	1,000	3,250	1,000	3,000	3,000	4,000	0	0	0	1,000	0	0

Bond amounts maturing in the next 12 months

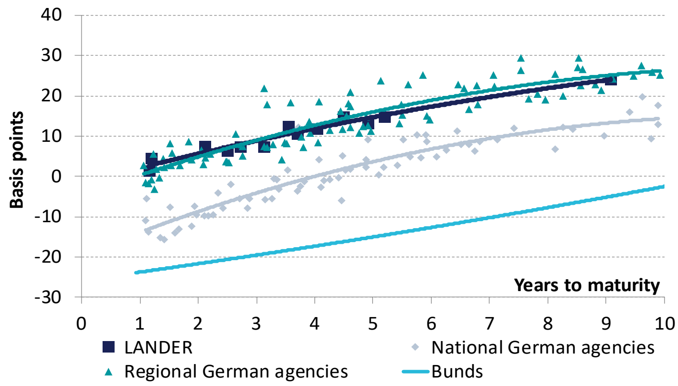


Source: Bloomberg, NORD/LB Floor Research

ASW spreads vs. Bunds & peers

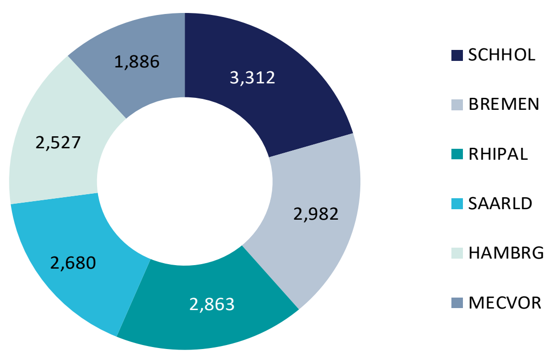


ASW spreads vs. German agencies

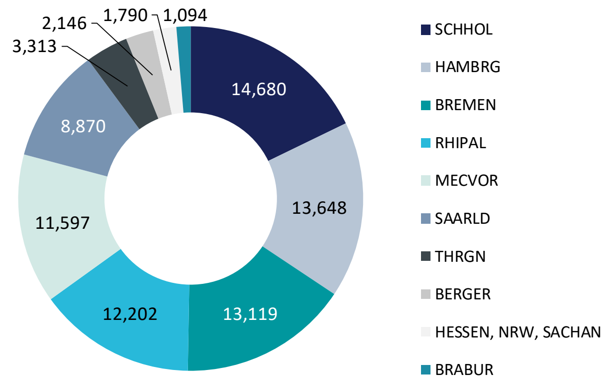


Source: Bloomberg, NORD/LB Floor Research

Share of current outstanding volume attributable to the Laender (EURm)



Cumulative shares in the 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

Appendix

Overview by debt level, Kassenkredite and non-public sector loans* in addition to outstanding bond volumes

Issuer	Ticker	Official debt level** (EURbn)	Of which outstanding Kassenkredite** (EURbn)	Of which outstanding loans** (EURbn)	Outstanding volume of bonds (EURbn)	Number of benchmark bonds
Baden-Wuerttemberg	BADWUR	36.5	-	12.1	26.8	30
Bavaria	BAYERN	18.2	-	8.3	9.8	9
Berlin	BERGER	64.0	0.02	12.7	53.8	43
Brandenburg	BRABUR	21.0	0.2	3.6	18.1	26
Bremen	BREMEN	25.8	2.5	4.8	16.4	26
Hamburg	HAMBRG	24.0	0.1	3.7	17.3	23
Hesse	HESSEN	46.8	0.4	6.6	40.7	35
Mecklenburg-Western Pomerania	MECVOR	8.2	0.05	3.8	3.3	6
Lower Saxony	NIESA	56.1	-	9.3	47.9	40
North Rhine-Westphalia	NRW	160.8	1.7	30.5	133.0	54
Rhineland-Palatinate	RHIPAL	28.4	0.3	6.3	22.8	25
Saarland	SAARLD	12.5	0.1	4.3	6.1	8
Saxony	SAXONY	5.0	-	0.4	6.5	13
Saxony-Anhalt	SACHAN	23.6	0.8	7.7	17.0	16
Schleswig-Holstein	SCHHOL	32.1	1.6	6.2	21.3	29
Thuringia	THRGN	15.0	-	5.7	9.7	16
Gemeinschaft deutscher Laender	LANDER	-	-	-	16.3	16
Bund-Laender bond	BULABO	-	-	-	Fell due: 15 July 2020	0
Total	**-**	**578.1**	**7.9**	**125.9**	**466.7**	**415**

* Excludes supplementary budgets
** As reported at the end of the previous year
Source: Bloomberg, issuers, German Federal Ministry of Finance, NORD/LB Floor Research

Appendix

Ratings overview

Issuer (Bloomberg ticker)	Fitch		Moody's		S&P		Scope	
	Rating	Outlook	Rating	Outlook	Rating	Outlook	Rating	Outlook
BW (BADWUR)	-	-	Aaa	stab	AA+	stab	AAA	stab
BY (BAYERN)	-	-	Aaa	stab	AAA	stab	AAA	stab
BE (BERGER)	AAA	stab	Aa1	stab	-	-	AAA	stab
BB (BRABUR)	-	-	Aaa	stab	-	-	-	-
HB (BREMEN)	AAA	stab	-	-	-	-	-	-
HH (HAMBRG)	AAA	stab	-	-	-	-	-	-
HE (HESSEN)	-	-	-	-	AA+	stab	AAA	stab
MV (MECVOR)	AAA	stab	-	-	-	-	-	-
NI (NIESA)	AAA	stab	-	-	-	-	-	-
NW (NRW)	AAA	stab	Aa1	stab	AA	stab	AAA	stab
RP (RHIPAL)	AAA	stab	-	-	-	-	-	-
SL (SAARLD)	AAA	stab	-	-	-	-	-	-
SN (SAXONY)	-	-	-	-	AAA	stab	-	-
ST (SACHAN)	AAA	stab	Aa1	stab	-	-	AAA	stab
SH (SCHHOL)	AAA	stab	-	-	-	-	-	-
TH (THRGN)	AAA	stab	-	-	-	-	-	-
Joint Laender (LANDER)*	AAA*	-	-	-	-	-	-	-

* Ratings for all bonds currently in circulation; no outlook provided
Source: Bloomberg, NORD/LB Floor Research

Appendix Key figures 2025 – at a glance

Key metrics as at year-end 2025 (EURm)	Adjusted revenue	Adjusted expenses	Balance	Debt	Nominal GDP	Debt/GDP (in %)	Balance/GDP (in %)
Baden-Wuerttemberg	66,905	67,480	-575	36,459	667,105	5.5%	-0.1%
Bavaria	78,833	77,991	842	18,209	824,243	2.2%	0.1%
Berlin	38,297	41,367	-3,070	63,990	218,288	29.3%	-1.4%
Brandenburg	16,129	17,118	-989	20,997	104,100	20.2%	-1.0%
Bremen	8,171	8,273	-102	25,760	43,011	59.9%	-0.2%
Hamburg	22,145	23,314	-1,170	23,997	168,300	14.3%	-0.7%
Hesse	38,356	38,728	-372	46,807	382,411	12.2%	-0.1%
Mecklenburg-Western Pomerania	10,463	11,443	-980	8,211	63,585	12.9%	-1.5%
Lower Saxony	43,823	45,196	-1,373	56,102	399,397	14.1%	-0.3%
North Rhine-Westphalia	106,418	104,579	1,839	160,807	909,411	17.7%	0.2%
Rhineland-Palatinate	24,583	24,583	0	28,406	185,270	15.3%	0.0%
Saarland	6,317	6,258	59	12,528	43,174	29.0%	0.1%
Saxony	24,246	24,482	-237	5,015	167,973	3.0%	-0.1%
Saxony-Anhalt	13,348	14,425	-1,077	23,637	81,755	28.9%	-1.3%
Schleswig-Holstein	17,706	17,798	-92	32,141	131,247	24.5%	-0.1%
Thuringia	13,087	13,534	-447	15,036	80,639	18.7%	-0.6%
Total	**528,825**	**536,569**	**-7,744**	**578,102**	**4,469,910**	**12.9%**	**-0.2%**

Source: German Federal Ministry of Finance, Federal Statistical Office, NORD/LB Floor Research

Appendix Laender budgets 2025

2025 (EURm)	BW	BY	BE	BB	HB	HH	HE	MV
Adjusted revenue	**66,905**	**78,833**	**38,297**	**16,129**	**8,171**	**22,145**	**38,356**	**10,463**
Tax revenue	49,489	60,360	28,656	11,469	5,300	16,841	28,718	6,528
as a % of total revenue	74.0%	76.6%	74.8%	71.1%	64.9%	76.1%	74.9%	62.4%
Federal supplementary grants (BEZ)	-	-	1,926	628	469	-	-	661
as a % of total revenue	-	-	5.0%	3.9%	5.7%	-	-	6.3%
Special-need BEZ (SoBEZ)	-	-	63	93	63	-	-	88
as a % of total revenue	-	-	0.2%	0.6%	0.8%	-	-	0.8%
Financial Power Equalisation (FKA)	-	-	4,223	1,401	1,021	-	-	1,447
as a % of total revenue	-	-	11.0%	8.7%	12.5%	-	-	13.8%
Total equalisation payments	-	-	6,212	2,122	1,553	-	-	2,196
as a % of total revenue	-	-	16.2%	13.2%	19.0%	-	-	21.0%
Adjusted expenses	**67,480**	**77,991**	**41,367**	**17,118**	**8,273**	**23,314**	**38,728**	**11,443**
Personnel expenditure	22,534	30,926	12,956	4,184	2,489	6,253	13,668	2,685
as a % of total expenditure	33.4%	39.7%	31.3%	24.4%	30.1%	26.8%	35.3%	23.5%
Interest expenditure	753	371	1,003	267	455	326	1,033	150
as a % of total expenditure	1.1%	0.5%	2.4%	1.6%	5.5%	1.4%	2.7%	1.3%
Grants to municipalities	20,749	17,708	3	6,091	14	25	9,870	3,575
as a % of total expenditure	30.8%	22.7%	0.0%	35.6%	0.2%	0.1%	25.5%	31.2%
Investment expenditure	7,777	10,972	4,381	1,697	834	3,104	3,225	1,833
as a % of total expenditure	11.5%	14.1%	10.6%	9.9%	10.1%	13.3%	8.3%	16.0%
Financial Power Equalisation (FKA)	4,006	11,660	-	-	-	331	4,003	-
as a % of total expenditure	5.9%	15.0%	-	-	-	1.4%	10.3%	-
Budget balance	**-575**	**842**	**-3,070**	**-989**	**-102**	**-1,170**	**-372**	**-980**
Total debt	**36,459**	**18,209**	**63,990**	**20,997**	**25,760**	**23,997**	**46,807**	**8,211**

Source: German Federal Ministry of Finance, NORD/LB Floor Research

Appendix Laender budgets 2025 (continued)

2025 (EURm)	NI	NW	RP	SL	SN	ST	SH	TH
Adjusted revenue	**43,823**	**106,418**	**24,583**	**6,317**	**24,246**	**13,348**	**17,706**	**13,087**
Tax revenue	34,623	80,605	18,330	4,433	17,490	9,226	13,336	9,045
as a % of total revenue	79.0%	75.7%	74.6%	70.2%	72.1%	69.1%	75.3%	69.1%
Federal supplementary grants (BEZ)	584	267	307	317	1,597	891	124	1,013
as a % of total revenue	1.3%	0.3%	1.2%	5.0%	6.6%	6.7%	0.7%	7.7%
Special-need BEZ (SoBEZ)	-	-	54	71	81	93	73	92
as a % of total revenue	-	-	0.2%	1.1%	0.3%	0.7%	0.4%	0.7%
Financial Power Equalisation (FKA)	1,443	1,016	756	699	3,499	1,950	337	2,208
as a % of total revenue	3.3%	1.0%	3.1%	11.1%	14.4%	14.6%	1.9%	16.9%
Total equalisation payments	2,027	1,283	1,117	1,087	5,177	2,934	534	3,313
as a % of total revenue	4.6%	1.2%	4.5%	17.2%	21.4%	22.0%	3.0%	25.3%
Adjusted expenses	**45,196**	**104,579**	**24,583**	**6,258**	**24,482**	**14,425**	**17,798**	**13,534**
Personnel expenditure	16,379	35,474	8,622	2,074	6,228	3,301	5,604	3,732
as a % of total expenditure	36.2%	33.9%	35.1%	33.1%	25.4%	22.9%	31.5%	27.6%
Interest expenditure	870	3,354	396	206	97	345	526	212
as a % of total expenditure	1.9%	3.2%	1.6%	3.3%	0.4%	2.4%	3.0%	1.6%
Grants to municipalities	14,018	32,766	7,731	1,245	7,039	3,644	6,003	4,101
as a % of total expenditure	31.0%	31.3%	31.5%	19.9%	28.7%	25.3%	33.7%	30.3%
Investment expenditure	4,467	10,305	1,826	707	2,911	1,978	1,786	1,664
as a % of total expenditure	9.9%	9.9%	7.4%	11.3%	11.9%	13.7%	10.0%	12.3%
Financial Power Equalisation (FKA)	-	-	-	-	-	-	-	-
as a % of total expenditure	-	-	-	-	-	-	-	-
Budget balance	**-1,373**	**1,839**	**0**	**59**	**-237**	**-1,077**	**-92**	**-447**
Total debt	**56,102**	**160,807**	**28,406**	**12,528**	**5,015**	**23,637**	**32,141**	**15,036**

Source: German Federal Ministry of Finance, NORD/LB Floor Research

Appendix Overview by key economic indicators

Development of nominal GDP (EURbn)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Ranking
Baden-Wuerttemberg	483.2	506.8	526.4	536.1	516.9	554.6	600.8	642.2	652.0	667.1	**3**
Bavaria	586.9	614.3	629.0	651.2	634.8	674.5	730.1	782.4	796.2	824.2	**2**
Berlin	136.4	144.1	152.0	159.6	159.0	170.3	185.8	199.8	208.4	218.3	**6**
Brandenburg	68.6	72.1	74.0	77.2	76.2	81.2	90.7	98.1	101.4	104.1	**11**
Bremen	**31.9**	**32.8**	**33.4**	**33.4**	**32.4**	**35.8**	**39.0**	**40.1**	**41.3**	**43.0**	**16**
Hamburg	115.2	121.4	124.3	129.9	124.2	138.7	158.3	154.6	162.8	168.3	**8**
Hesse	279.8	288.0	294.4	302.8	293.8	314.0	335.9	358.9	371.4	382.4	**5**
Mecklenburg-Western Pomerania	41.8	45.1	45.3	48.2	47.3	50.2	56.3	59.2	60.8	63.6	**14**
Lower Saxony	285.3	292.6	303.8	314.5	306.7	321.8	347.6	369.8	385.2	399.4	**4**
North Rhine-Westphalia	**666.2**	**693.4**	**716.7**	**731.5**	**717.5**	**760.1**	**813.5**	**858.8**	**879.8**	**909.4**	**1**
Rhineland-Palatinate	139.2	143.1	146.0	150.5	147.8	167.2	177.0	177.0	180.8	185.3	**7**
Saarland	35.1	36.3	36.8	37.0	35.5	37.1	40.2	42.8	42.2	43.2	**15**
Saxony	119.3	124.1	127.5	132.6	129.4	136.0	148.5	158.3	163.0	168.0	**9**
Saxony-Anhalt	59.3	61.4	62.4	65.3	64.3	67.7	74.3	78.2	79.5	81.8	**12**
Schleswig-Holstein	87.8	93.3	95.8	100.2	99.9	106.5	119.1	122.5	126.3	131.2	**10**
Thuringia	60.2	62.2	63.2	64.9	63.9	66.8	72.1	76.7	77.7	80.6	**13**
Federal level	3,196.1	3,331.1	3,431.1	3,534.9	3,449.6	3,682.3	3,989.4	4,219.3	4,329.0	4,469.9	

Development of nominal GDP in EUR per capita

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Ranking
Baden-Wuerttemberg	44,123	46,279	47,557	48,294	46,554	49,850	53,799	57,179	57,979	59,357	**5**
Bavaria	45,386	47,504	48,102	49,616	48,313	51,187	55,712	59,378	60,093	62,228	**2**
Berlin	38,146	40,301	41,711	43,491	43,397	46,296	51,157	54,542	56,563	58,988	**6**
Brandenburg	27,516	28,906	29,448	30,604	30,108	31,990	35,625	38,408	39,648	40,793	**13**
Bremen	47,013	48,307	48,888	49,079	47,700	52,945	56,119	57,095	58,545	60,844	**4**
Hamburg	**63,613**	**67,081**	**67,518**	**70,328**	**67,027**	**74,834**	**86,400**	**83,514**	**87,430**	**90,026**	**1**
Hesse	45,027	46,357	46,978	48,149	46,693	49,883	53,862	57,261	59,127	60,907	**3**
Mecklenburg-Western Pomerania	**25,943**	27,982	**28,151**	29,991	**29,360**	**31,134**	35,712	37,509	38,666	40,405	**14**
Lower Saxony	35,905	36,826	38,054	39,339	38,315	40,096	43,545	46,173	48,124	49,919	**8**
North Rhine-Westphalia	37,239	38,760	39,968	40,758	40,026	42,404	45,286	47,664	48,787	50,562	**7**
Rhineland-Palatinate	34,225	35,201	35,731	36,761	36,058	40,710	43,074	42,909	43,785	44,936	**9**
Saarland	35,223	36,466	37,181	37,498	36,062	37,718	39,715	42,209	41,671	42,859	**11**
Saxony	29,228	30,393	31,273	32,555	31,891	33,646	36,664	39,043	40,320	41,716	**12**
Saxony-Anhalt	26,510	**27,478**	28,263	**29,766**	29,487	31,212	34,565	36,459	**37,233**	**38,559**	**16**
Schleswig-Holstein	30,479	32,373	33,079	34,516	34,316	36,439	40,512	41,470	42,687	44,363	**10**
Thuringia	27,886	28,823	29,512	30,429	30,160	31,658	**34,045**	**36,289**	37,018	38,788	**15**
Federal level	38,731	40,366	41,329	42,504	41,484	44,239	47,996	50,557	51,796	53,553	

NB: Lowest values in orange, highest values in blue.
Source: Federal Statistical Office, national accounts produced by the Laender (VGRdL), NORD/LB Floor Research

Real GDP growth Y/Y

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Ranking
Baden-Wuerttemberg	1.7%	3.8%	2.2%	-0.1%	-5.2%	5.6%	2.7%	-0.3%	-1.6%	-0.6%	**15**
Bavaria	2.5%	3.5%	0.5%	1.6%	-4.1%	4.2%	2.4%	0.0%	-1.3%	0.5%	**7**
Berlin	3.9%	3.6%	**3.3%**	2.8%	-2.4%	4.2%	**5.2%**	**1.5%**	0.8%	1.1%	**3**
Brandenburg	1.7%	2.9%	0.3%	1.6%	-3.1%	2.3%	2.0%	-0.2%	0.2%	-0.2%	**10**
Bremen	1.8%	0.9%	0.1%	**-1.9%**	-4.8%	6.3%	3.3%	-1.3%	-0.5%	**1.4%**	**1**
Hamburg	2.2%	1.4%	0.4%	3.0%	-5.7%	0.8%	3.3%	-0.9%	**2.1%**	0.8%	**5**
Hesse	2.7%	2.0%	0.9%	1.1%	-5.0%	4.6%	2.3%	0.3%	0.4%	-0.2%	**10**
Mecklenburg-Western Pomerania	1.4%	**4.6%**	**-1.6%**	**3.5%**	-3.7%	2.5%	2.8%	-1.4%	-0.3%	**1.4%**	**1**
Lower Saxony	**6.3%**	**0.9%**	1.8%	1.4%	-4.1%	2.2%	0.1%	-0.6%	1.0%	0.7%	**6**
North Rhine-Westphalia	1.1%	2.7%	1.3%	0.2%	-3.6%	3.1%	0.4%	-1.4%	-0.5%	0.3%	**9**
Rhineland-Palatinate	1.4%	1.4%	0.1%	0.9%	-3.5%	**11.3%**	**-0.3%**	**-6.8%**	-0.9%	-0.5%	**14**
Saarland	**0.1%**	2.4%	-0.5%	-1.2%	**-5.8%**	1.8%	1.9%	-0.7%	**-4.6%**	**-0.9%**	**16**
Saxony	1.9%	2.4%	0.9%	1.4%	-4.1%	2.7%	2.8%	-1.2%	-0.4%	-0.2%	**10**
Saxony-Anhalt	1.7%	1.5%	-0.7%	2.1%	-3.3%	1.8%	0.0%	-2.8%	-1.3%	-0.2%	**10**
Schleswig-Holstein	2.3%	3.1%	0.7%	2.3%	**-2.2%**	**0.3%**	2.0%	-2.3%	0.0%	0.9%	**4**
Thuringia	1.7%	1.7%	-0.2%	0.2%	-3.3%	2.5%	1.8%	-1.5%	-2.0%	0.4%	**8**
Federal level	2.3%	2.7%	1.1%	1.0%	-4.1%	3.9%	1.8%	-0.9%	-0.5%	0.2%	

Unemployment rate

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Ranking
Baden-Wuerttemberg	3.8%	3.5%	3.2%	3.2%	4.1%	3.9%	3.5%	3.9%	4.2%	4.6%	**2**
Bavaria	**3.5%**	**3.2%**	**2.9%**	**2.8%**	**3.6%**	**3.5%**	**3.1%**	**3.4%**	**3.7%**	**4.0%**	**1**
Berlin	9.8%	9.0%	8.1%	7.8%	9.7%	9.8%	8.8%	9.1%	9.7%	10.3%	**15**
Brandenburg	8.0%	7.0%	6.3%	5.8%	6.2%	5.9%	5.6%	5.9%	6.1%	6.4%	**7**
Bremen	**10.5%**	**10.2%**	**9.8%**	**9.9%**	**11.2%**	**10.7%**	**10.2%**	**10.6%**	**11.1%**	**11.5%**	**16**
Hamburg	7.1%	6.8%	6.3%	6.1%	7.6%	7.5%	6.8%	7.4%	8.0%	8.3%	**14**
Hesse	5.3%	5.0%	4.6%	4.4%	5.4%	5.2%	4.8%	5.2%	5.5%	5.8%	**4**
Mecklenburg-Western Pomerania	9.7%	8.6%	7.9%	7.1%	7.8%	7.6%	7.3%	7.7%	7.9%	8.0%	**12**
Lower Saxony	6.0%	5.8%	5.3%	5.0%	5.8%	5.5%	5.3%	5.7%	5.9%	6.1%	**6**
North Rhine-Westphalia	7.7%	7.4%	6.8%	6.5%	7.5%	7.3%	6.8%	7.2%	7.5%	7.8%	**11**
Rhineland-Palatinate	5.1%	4.8%	4.4%	4.3%	5.2%	5.0%	4.6%	4.9%	5.3%	5.5%	**3**
Saarland	7.2%	6.7%	6.1%	6.2%	7.2%	6.8%	6.3%	6.8%	7.0%	7.4%	**10**
Saxony	7.5%	6.7%	6.0%	5.5%	6.1%	5.9%	5.6%	6.2%	6.5%	6.9%	**9**
Saxony-Anhalt	9.6%	8.4%	7.7%	7.1%	7.7%	7.3%	7.1%	7.5%	7.7%	8.0%	**12**
Schleswig-Holstein	6.3%	6.0%	5.5%	5.1%	5.8%	5.6%	5.2%	5.5%	5.7%	5.9%	**5**
Thuringia	6.7%	6.1%	5.5%	5.3%	6.0%	5.6%	5.3%	5.9%	6.2%	6.4%	**7**
Federal level	6.1%	5.7%	5.2%	5.0%	5.9%	6.3%	5.3%	5.7%	6.0%	6.3%	

NB: Lowest values in orange, highest values in blue. Reversed for unemployment rate figures.
Source: Federal Statistical Office, national accounts produced by the Laender (VGRdL), NORD/LB Floor Research

Appendix Overview by budget indicators

Official debt level (EURbn)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Ranking
Baden-Wuerttemberg	40.6	37.6	35.4	35.3	38.9	38.0	34.2	30.5	33.7	36.5	**12**
Bavaria	19.4	16.9	14.6	12.9	17.8	19.8	18.9	17.2	17.5	18.2	**5**
Berlin	58.0	56.5	54.4	53.9	59.6	59.6	59.4	58.9	61.6	64.0	**15**
Brandenburg	16.2	15.4	14.8	15.3	17.3	17.8	17.2	18.3	20.1	21.0	**6**
Bremen	21.0	20.5	21.5	29.7	39.0	36.0	22.4	22.6	23.3	25.8	**9**
Hamburg	22.9	22.3	23.9	23.2	24.9	25.4	25.1	22.6	21.9	24.0	**8**
Hesse	42.7	40.9	39.9	40.4	43.0	40.4	40.0	41.0	44.4	46.8	**13**
Mecklenburg-Western Pomerania	8.3	7.8	7.5	7.4	8.4	8.5	8.2	7.2	8.0	8.2	**2**
Lower Saxony	57.2	57.2	56.6	56.4	61.8	61.6	59.9	56.4	54.2	56.1	**14**
North Rhine-Westphalia	**137.0**	**138.8**	**135.6**	**142.9**	**153.8**	**158.6**	**162.2**	**163.0**	**160.9**	**160.8**	**16**
Rhineland-Palatinate	32.5	31.1	30.5	29.8	30.8	28.5	28.0	26.5	29.1	28.4	**10**
Saarland	13.8	13.8	13.6	13.7	13.9	13.5	13.0	12.2	12.5	12.5	**3**
Saxony	**1.9**	**1.6**	**1.4**	**1.1**	**3.6**	**4.3**	**3.5**	**3.3**	**3.9**	**5.0**	**1**
Saxony-Anhalt	20.2	20.8	19.9	20.9	21.2	21.9	22.9	22.0	21.8	23.6	**7**
Schleswig-Holstein	26.5	25.7	27.4	27.8	29.1	31.0	32.6	31.5	31.9	32.1	**11**
Thuringia	14.8	15.3	14.3	14.3	15.4	16.1	15.5	15.1	14.8	15.0	**4**

Debt per capita in EUR

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Ranking
Baden-Wuerttemberg	3,710	3,432	3,201	3,177	3,503	3,420	3,060	2,720	2,996	3,244	**3**
Bavaria	1,499	1,310	1,115	983	1,353	1,504	1,442	1,307	1,324	1,375	**2**
Berlin	16,225	15,810	14,918	14,701	16,279	16,219	16,350	16,093	16,715	17,292	**15**
Brandenburg	6,481	6,173	5,878	6,084	6,852	6,994	6,765	7,179	7,855	8,228	**9**
Bremen	**30,941**	**30,272**	**31,437**	**43,668**	**57,393**	**53,167**	**32,183**	**32,189**	**33,016**	**36,440**	**16**
Hamburg	12,647	12,311	12,987	12,555	13,457	13,693	13,685	12,224	11,783	12,836	**14**
Hesse	6,868	6,587	6,369	6,422	6,840	6,419	6,411	6,544	7,063	7,455	**8**
Mecklenburg-Western Pomerania	5,180	4,866	4,679	4,628	5,198	5,246	5,233	4,547	5,064	5,218	**4**
Lower Saxony	7,193	7,194	7,093	7,050	7,718	7,679	7,507	7,046	6,777	7,012	**6**
North Rhine-Westphalia	7,659	7,757	7,563	7,962	8,579	8,847	9,029	9,046	8,922	8,941	**10**
Rhineland-Palatinate	7,985	7,658	7,462	7,286	7,526	6,944	6,808	6,421	7,038	6,889	**5**
Saarland	13,890	13,865	13,696	13,850	14,133	13,777	12,833	12,017	12,351	12,436	**13**
Saxony	**454**	**381**	**346**	**279**	**876**	**1,060**	**868**	**804**	**968**	**1,245**	**1**
Saxony-Anhalt	9,043	9,285	9,024	9,518	9,730	10,094	10,658	10,240	10,203	11,148	**12**
Schleswig-Holstein	9,195	8,910	9,467	9,574	10,000	10,615	11,091	10,671	10,794	10,864	**11**
Thuringia	6,877	7,110	6,662	6,701	7,248	7,632	7,292	7,117	7,050	7,233	**7**

NB: Lowest values in blue, highest values in orange.
Source: German Federal Ministry of Finance, NORD/LB Floor Research

Official debt level to GDP

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Ranking
Baden-Wuerttemberg	8.41%	7.42%	6.73%	6.58%	7.52%	6.86%	5.69%	4.76%	5.17%	5.47%	**3**
Bavaria	3.30%	2.76%	2.32%	1.98%	2.80%	**2.94%**	2.59%	2.20%	**2.20%**	**2.21%**	**1**
Berlin	42.53%	39.23%	35.76%	33.80%	37.51%	35.03%	31.96%	29.51%	29.55%	29.31%	**15**
Brandenburg	23.55%	21.35%	19.96%	19.88%	22.76%	21.86%	18.99%	18.69%	19.81%	20.17%	**11**
Bremen	**65.81%**	**62.67%**	**64.30%**	**88.98%**	**120.32%**	**100.42%**	**57.35%**	**56.38%**	**56.39%**	**59.89%**	**16**
Hamburg	19.88%	18.35%	19.24%	17.85%	20.08%	18.30%	15.84%	14.64%	13.48%	14.26%	**7**
Hesse	15.25%	14.21%	13.56%	13.34%	14.65%	12.87%	11.90%	11.43%	11.95%	12.24%	**4**
Mecklenburg-Western Pomerania	19.97%	17.39%	16.62%	15.43%	17.70%	16.85%	14.65%	12.12%	13.10%	12.91%	**5**
Lower Saxony	20.03%	19.53%	18.64%	17.92%	20.14%	19.15%	17.24%	15.26%	14.08%	14.05%	**6**
North Rhine-Westphalia	20.57%	20.01%	18.92%	19.53%	21.43%	20.86%	19.94%	18.98%	18.29%	17.68%	**9**
Rhineland-Palatinate	23.33%	21.76%	20.88%	19.82%	20.87%	17.06%	15.81%	14.96%	16.07%	15.33%	**8**
Saarland	39.43%	38.02%	36.84%	36.93%	39.19%	36.53%	32.31%	28.47%	29.64%	29.02%	**14**
Saxony	**1.55%**	**1.25%**	**1.10%**	**0.86%**	**2.75%**	3.15%	**2.37%**	**2.06%**	2.40%	2.99%	**2**
Saxony-Anhalt	34.11%	33.79%	31.93%	31.98%	33.00%	32.34%	30.84%	28.09%	27.40%	28.91%	**13**
Schleswig-Holstein	30.17%	27.52%	28.62%	27.74%	29.14%	29.13%	27.38%	25.73%	25.29%	24.49%	**12**
Thuringia	24.66%	24.67%	22.57%	22.02%	24.03%	24.11%	21.42%	19.61%	19.04%	18.65%	**10**

Official debt level/tax revenue

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Ranking
Baden-Wuerttemberg	1.12x	1.00x	0.87x	0.86x	1.03x	0.91x	0.74x	0.67x	0.71x	0.74x	**3**
Bavaria	0.42x	0.36x	0.29x	0.25x	0.40x	0.40x	0.34x	0.32x	0.31x	0.30x	**2**
Berlin	3.93x	3.67x	3.19x	3.08x	2.88x	2.42x	2.18x	2.24x	2.26x	2.23x	**12**
Brandenburg	2.24x	2.02x	1.81x	1.84x	2.12x	1.88x	1.63x	1.71x	1.87x	1.83x	**10**
Bremen	**6.89x**	**6.57x**	**6.42x**	**8.82x**	**10.15x**	**7.99x**	**4.79x**	**4.46x**	**4.40x**	**4.86x**	**16**
Hamburg	2.12x	1.92x	1.90x	1.78x	2.13x	1.80x	1.57x	1.44x	1.42x	1.43x	**5**
Hesse	1.93x	1.80x	1.74x	1.66x	2.02x	1.61x	1.51x	1.56x	1.66x	1.63x	**8**
Mecklenburg-Western Pomerania	1.84x	1.62x	1.50x	1.39x	1.54x	1.54x	1.23x	1.10x	1.18x	1.26x	**4**
Lower Saxony	2.40x	2.37x	2.20x	2.07x	2.34x	2.12x	1.82x	1.67x	1.62x	1.62x	**7**
North Rhine-Westphalia	2.55x	2.49x	2.29x	2.30x	2.52x	2.32x	2.19x	2.20x	2.10x	2.00x	**11**
Rhineland-Palatinate	2.71x	2.43x	2.39x	2.14x	2.26x	1.71x	1.74x	1.62x	1.63x	1.55x	**6**
Saarland	4.75x	4.56x	4.24x	4.16x	4.16x	3.83x	3.23x	2.76x	3.26x	2.83x	**15**
Saxony	**0.16x**	**0.13x**	**0.11x**	**0.09x**	**0.27x**	**0.30x**	**0.21x**	**0.21x**	**0.23x**	**0.29x**	**1**
Saxony-Anhalt	3.11x	3.13x	2.84x	2.87x	3.02x	2.83x	2.58x	2.56x	2.50x	2.56x	**14**
Schleswig-Holstein	3.03x	2.83x	2.90x	2.78x	2.98x	2.83x	2.63x	2.67x	2.56x	2.41x	**13**
Thuringia	2.39x	2.38x	2.10x	2.02x	2.22x	2.13x	1.79x	1.79x	1.70x	1.66x	**9**

NB: Lowest values in blue, highest values in orange.
Source: Federal Ministry of Finance, Federal Statistical Office, NORD/LB Floor Research

Tax revenue/interest expenditure

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Ranking
Baden-Wuerttemberg	24.7x	27.2x	29.1x	33.3x	32.2x	26.5x	38.9x	42.0x	74.6x	65.7x	**3**
Bavaria	**60.9x**	65.2x	**86.3x**	98.5x	92.9x	125.3x	147.7x	166.7x	157.8x	162.9x	**2**
Berlin	10.7x	11.8x	13.8x	15.1x	21.4x	22.7x	28.2x	35.8x	37.8x	28.6x	**10**
Brandenburg	21.7x	25.5x	29.1x	30.8x	41.1x	38.1x	52.6x	55.9x	48.6x	42.9x	**7**
Bremen	**5.1x**	**5.1x**	**5.7x**	**5.6x**	**6.3x**	**7.6x**	**8.2x**	**9.7x**	**10.5x**	**11.6x**	**16**
Hamburg	19.5x	23.3x	28.1x	29.1x	29.1x	37.3x	44.4x	38.4x	44.7x	51.6x	**4**
Hesse	21.6x	22.7x	23.9x	27.0x	24.3x	29.7x	35.4x	33.3x	30.1x	27.8x	**11**
Mecklenburg-Western Pomerania	18.1x	21.4x	23.6x	27.1x	28.1x	33.0x	41.9x	34.5x	55.1x	43.6x	**6**
Lower Saxony	18.8x	20.9x	24.2x	27.6x	43.8x	50.4x	40.3x	63.5x	48.2x	39.8x	**9**
North Rhine-Westphalia	19.2x	21.0x	24.2x	31.0x	44.1x	43.3x	51.7x	25.3x	22.1x	24.0x	**14**
Rhineland-Palatinate	14.6x	17.1x	22.1x	29.4x	36.6x	50.3x	43.7x	48.9x	47.3x	46.3x	**5**
Saarland	7.4x	8.0x	8.9x	10.4x	11.6x	14.0x	16.2x	20.6x	18.0x	21.6x	**15**
Saxony	60.8x	**69.9x**	79.7x	**108.2x**	**171.4x**	**186.6x**	**332.1x**	**384.6x**	**228.7x**	**180.9x**	**1**
Saxony-Anhalt	12.8x	14.6x	19.1x	20.3x	21.5x	23.2x	32.5x	22.6x	21.8x	26.8x	**12**
Schleswig-Holstein	14.8x	18.4x	20.5x	24.3x	30.0x	32.6x	35.0x	26.2x	22.3x	25.4x	**13**
Thuringia	14.3x	16.7x	20.5x	22.7x	24.0x	27.6x	34.9x	37.3x	41.3x	42.7x	**8**

Adjusted revenue (EURm)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Ranking
Baden-Wuerttemberg	47,670	49,888	53,335	54,999	55,139	61,821	64,034	61,887	64,076	66,905	**3**
Bavaria	56,989	59,917	63,792	65,949	62,468	72,849	74,275	70,917	74,186	78,833	**2**
Berlin	26,283	27,701	29,340	29,812	31,116	35,831	37,379	35,456	36,601	38,297	**6**
Brandenburg	11,198	11,612	12,279	12,334	12,572	13,859	15,015	15,569	15,656	16,129	**11**
Bremen	5,277	5,491	5,734	5,961	6,288	7,286	7,313	7,389	7,837	8,171	**15**
Hamburg	13,757	14,541	15,641	16,200	16,211	19,620	20,732	20,235	20,373	22,145	**9**
Hesse	27,083	28,043	28,826	29,936	31,937	36,705	35,374	34,067	35,234	38,356	**5**
Mecklenburg-Western Pomerania	7,863	8,063	8,301	8,583	9,284	10,508	11,104	10,607	11,516	10,463	**14**
Lower Saxony	30,131	30,753	33,420	34,188	35,494	36,501	40,667	44,100	43,710	43,823	**4**
North Rhine-Westphalia	**68,432**	**71,801**	**75,534**	**78,369**	**93,192**	**96,390**	**103,576**	**99,741**	**102,507**	**106,418**	**1**
Rhineland-Palatinate	16,343	17,287	17,289	18,470	18,984	22,985	21,711	22,188	23,639	24,583	**7**
Saarland	**3,968**	**4,265**	**4,381**	**4,438**	**4,728**	**4,905**	**5,564**	**6,027**	**5,940**	**6,317**	**16**
Saxony	17,640	18,268	20,268	19,385	20,025	20,418	22,726	22,695	24,025	24,246	**8**
Saxony-Anhalt	10,811	10,888	11,033	11,313	11,455	12,464	13,560	12,735	14,263	13,348	**12**
Schleswig-Holstein	11,544	12,223	12,493	13,256	14,706	15,725	16,991	17,438	16,955	17,706	**10**
Thuringia	9,772	10,087	10,399	10,473	10,195	10,907	12,548	12,356	12,772	13,087	**13**

NB: Lowest values in blue, highest values in orange Reversed for tax revenue/interest expenses as well as adjusted revenue.
Source: Federal Ministry of Finance, Federal Statistical Office, NORD/LB Floor Research

Adjusted revenue in EUR per capita

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Ranking
Baden-Wuerttemberg	4,353	4,555	4,818	4,955	4,966	5,557	5,734	5,510	5,698	5,953	**13**
Bavaria	4,407	4,634	4,878	5,025	4,754	5,528	5,668	5,382	5,599	5,952	**14**
Berlin	7,352	7,749	8,050	8,124	8,492	9,743	10,289	9,681	9,932	10,349	**3**
Brandenburg	4,489	4,655	4,888	4,891	4,967	5,461	5,899	6,095	6,123	6,320	**5**
Bremen	**7,774**	**8,090**	8,395	8,751	**9,245**	**10,771**	10,511	10,516	**11,118**	11,558	**2**
Hamburg	7,599	8,032	**8,495**	**8,770**	8,751	10,583	**11,313**	**10,928**	10,938	**11,845**	**1**
Hesse	4,359	4,514	4,601	4,761	5,075	5,831	5,672	5,435	5,610	6,109	**9**
Mecklenburg-Western Pomerania	4,882	5,006	5,157	5,337	5,764	6,522	7,045	6,722	7,318	6,649	**4**
Lower Saxony	**3,792**	**3,870**	**4,187**	**4,277**	**4,435**	**4,547**	**5,094**	5,507	**5,461**	**5,477**	**16**
North Rhine-Westphalia	3,825	4,013	4,212	4,367	5,199	5,378	5,766	5,536	5,684	5,917	**15**
Rhineland-Palatinate	4,019	4,251	4,232	4,511	4,632	5,597	5,284	**5,379**	5,724	5,962	**12**
Saarland	3,982	4,279	4,423	4,497	4,805	4,993	5,498	5,943	5,869	6,271	**8**
Saxony	4,322	4,475	4,970	4,761	4,936	5,050	5,611	5,597	5,943	6,021	**10**
Saxony-Anhalt	4,835	4,869	4,996	5,155	5,253	5,746	6,306	5,938	6,679	6,295	**6**
Schleswig-Holstein	4,006	4,241	4,313	4,565	5,052	5,381	5,781	5,905	5,729	5,985	**11**
Thuringia	4,528	4,674	4,852	4,909	4,808	5,172	5,922	5,842	6,081	6,295	**7**

Adjusted expenditure (EURm)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Ranking*
Baden-Wuerttemberg	47,483	48,173	50,312	51,608	58,430	60,373	60,558	61,309	65,187	67,480	-
Bavaria	55,178	56,938	59,579	64,680	68,602	71,959	71,531	70,915	74,756	77,991	-
Berlin	26,147	26,691	26,918	28,222	32,889	36,017	36,432	37,145	39,629	41,367	-
Brandenburg	10,778	11,114	11,619	13,350	13,313	14,667	14,828	16,060	17,014	17,118	-
Bremen	5,271	5,508	5,668	5,867	6,598	7,415	**7,472**	7,716	9,019	8,273	-
Hamburg	13,470	13,532	16,771	15,508	16,868	19,686	18,272	19,145	21,035	23,314	-
Hesse	26,609	27,827	27,750	28,389	32,775	34,286	33,703	34,746	38,847	38,728	-
Mecklenburg-Western Pomerania	7,546	7,387	8,064	8,557	12,382	10,526	10,587	10,688	11,162	11,443	-
Lower Saxony	29,155	29,917	30,631	32,391	40,405	37,924	38,129	40,372	41,955	45,196	-
North Rhine-Westphalia	**68,398**	**73,025**	**74,466**	**76,648**	**104,807**	**99,925**	**105,999**	**101,384**	**100,906**	**104,579**	-
Rhineland-Palatinate	16,019	16,430	16,422	17,211	20,329	20,688	20,522	21,197	22,532	24,583	-
Saarland	**4,119**	**4,227**	**4,236**	**4,321**	**4,752**	**4,715**	7,960	**5,813**	**5,740**	**6,258**	-
Saxony	17,782	17,585	19,017	19,383	21,449	20,424	20,991	23,826	24,864	24,482	-
Saxony-Anhalt	10,348	10,704	10,718	11,269	12,351	12,459	12,775	13,130	13,846	14,425	-
Schleswig-Holstein	11,160	12,099	14,409	13,019	15,133	15,592	17,213	18,129	17,335	17,798	-
Thuringia	9,181	9,171	9,776	10,025	11,362	11,296	11,911	12,709	13,011	13,534	-

NB: Lowest values in orange, highest values in blue. Reversed for adjusted expenditure figures.
* No ranking, as low/high expenditure values are neither positive or negative per se.
Source: Federal Statistical Office, national accounts produced by the Laender (VGRdL), NORD/LB Floor Research

Adjusted expenditure in EUR per capita

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Ranking*
Baden-Wuerttemberg	4,336	4,399	4,545	4,649	5,262	5,427	5,423	5,459	5,797	6,004	-
Bavaria	4,267	4,403	4,556	4,928	5,221	5,461	5,458	5,382	5,642	5,888	-
Berlin	7,314	7,466	7,385	7,691	8,976	9,794	10,028	10,142	10,753	11,179	-
Brandenburg	4,320	4,455	4,626	5,294	5,260	5,779	5,826	6,287	6,654	6,708	-
Bremen	7,766	8,115	8,299	8,613	9,701	10,961	10,739	10,981	12,795	11,703	-
Hamburg	7,440	7,474	9,109	8,395	9,106	10,618	9,970	10,340	11,294	12,471	-
Hesse	4,283	4,479	4,429	4,515	5,208	5,447	5,404	5,544	6,185	6,168	-
Mecklenburg-Western Pomerania	4,685	4,586	5,010	5,321	7,687	6,533	6,718	6,773	7,093	7,271	-
Lower Saxony	3,669	3,765	3,837	4,052	5,049	4,724	4,776	5,041	5,241	5,649	-
North Rhine-Westphalia	3,823	4,082	4,153	4,271	5,847	5,575	5,900	5,627	5,595	5,814	-
Rhineland-Palatinate	3,940	4,041	4,020	4,204	4,960	5,038	4,995	5,138	5,456	5,962	-
Saarland	4,133	4,291	4,227	4,378	4,829	4,800	7,866	5,732	5,671	6,213	-
Saxony	4,356	4,308	4,663	4,760	5,287	5,052	5,183	5,876	6,151	6,080	-
Saxony-Anhalt	4,627	4,786	4,854	4,854	5,664	5,744	5,941	6,122	6,484	6,803	-
Schleswig-Holstein	3,872	4,198	4,974	4,484	5,199	5,336	5,856	6,139	5,857	6,016	-
Thuringia	4,254	4,249	4,561	4,699	5,359	5,356	5,621	6,008	6,195	6,510	-

Budget balance (EURm)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Ranking
Baden-Wuerttemberg	187	1,715	3,023	3,391	-3,291	1,447	3,476	578	-1,111	-575	**10**
Bavaria	1,811	2,979	4,213	1,269	-6,135	889	2,744	2	-570	842	**2**
Berlin	137	1,009	2,422	1,590	-1,773	-186	947	-1,689	-3,028	-3,070	**16**
Brandenburg	420	498	660	-1,016	-741	-808	186	-492	-1,358	-989	**12**
Bremen	5	-17	66	94	-310	-128	-159	-327	-1,182	-102	**6**
Hamburg	287	1,009	-1,130	692	-657	-66	2,461	1,091	-662	-1,170	**14**
Hesse	474	217	1,076	1,547	-838	2,419	1,671	-679	-3,613	-372	**8**
Mecklenburg-Western Pomerania	317	676	237	26	-3,098	-18	516	-81	354	-980	**11**
Lower Saxony	976	836	2,789	1,798	-4,911	-1,423	2,539	3,728	1,755	-1,373	**15**
North Rhine-Westphalia	34	-1,225	1,069	1,722	-11,615	-3,536	-2,423	-1,643	1,601	1,839	**1**
Rhineland-Palatinate	324	857	867	1,258	-1,346	2,297	1,189	991	1,107	0	**4**
Saarland	-151	-12	145	117	-24	190	-2,396	214	201	59	**3**
Saxony	-142	683	1,251	2	-1,425	-6	1,735	-1,131	-839	-237	**7**
Saxony-Anhalt	464	185	315	44	-896	5	785	-395	417	-1,077	**13**
Schleswig-Holstein	384	125	-1,917	237	-427	133	-222	-691	-381	-92	**5**
Thuringia	592	917	624	448	-1,167	-389	637	-350	-240	-447	**9**

NB: Highest values in orange, lowest values in blue. Reversed for budget balance figures.
* No ranking, as low/high expenditure values are neither positive or negative per se.
Source: Federal Statistical Office, national accounts produced by the Laender (VGRdL), NORD/LB Floor Research

NORD/LB

Budget balance per capita in EUR

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Ranking
Baden-Wuerttemberg	17	157	273	305	-296	130	311	51	-99	-51	**6**
Bavaria	140	230	322	97	-467	67	209	0	-43	64	**2**
Berlin	38	282	**664**	**433**	-484	-51	261	-461	-822	**-830**	**16**
Brandenburg	168	200	263	**-403**	-293	**-318**	73	-192	-531	-388	**12**
Bremen	8	-25	96	138	-456	-190	-229	**-465**	**-1,677**	-145	**9**
Hamburg	158	**557**	-614	374	-354	-36	**1,343**	**589**	-355	-626	**15**
Hesse	76	35	172	246	-133	384	268	-108	-575	-59	**8**
Mecklenburg-Western Pomerania	197	420	147	16	**-1,923**	-11	328	-52	225	-623	**14**
Lower Saxony	123	105	349	225	-614	-177	318	466	219	-172	**10**
North Rhine-Westphalia	2	**-68**	60	96	-648	-197	-135	-91	89	**102**	**1**
Rhineland-Palatinate	80	211	212	307	-328	**559**	289	240	**268**	0	**4**
Saarland	**-151**	-12	147	119	**-24**	193	**-2,368**	211	198	58	**3**
Saxony	-35	167	307	0	-351	-2	428	-279	-208	-59	**7**
Saxony-Anhalt	207	83	142	20	-411	2	365	-184	195	-508	**13**
Schleswig-Holstein	133	43	**-662**	82	-147	45	-75	-234	-129	-31	**5**
Thuringia	**274**	425	291	210	-550	-185	301	-165	-114	-215	**11**

Budget balance as a % of GDP

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Ranking
Baden-Wuerttemberg	0.04%	0.34%	0.57%	0.63%	-0.64%	0.26%	0.58%	0.09%	-0.17%	-0.09%	**6**
Bavaria	0.31%	0.49%	0.67%	0.19%	-0.97%	0.13%	0.38%	0.00%	-0.07%	0.10%	**3**
Berlin	0.10%	0.70%	**1.59%**	**1.00%**	-1.11%	-0.11%	0.51%	**-0.85%**	-1.45%	-1.41%	**15**
Brandenburg	0.61%	0.69%	0.89%	**-1.32%**	-0.97%	**-1.00%**	0.21%	-0.50%	-1.34%	-0.95%	**13**
Bremen	0.02%	-0.05%	0.20%	0.28%	-0.96%	-0.36%	-0.41%	-0.82%	**-2.86%**	-0.24%	**9**
Hamburg	0.25%	0.83%	-0.91%	0.53%	-0.53%	-0.05%	**1.55%**	0.71%	-0.41%	-0.70%	**12**
Hesse	0.17%	0.08%	0.37%	0.51%	-0.29%	0.77%	0.50%	-0.19%	-0.97%	-0.10%	**7**
Mecklenburg-Western Pomerania	0.76%	**1.50%**	0.52%	0.05%	**-6.55%**	-0.04%	0.92%	-0.14%	0.58%	**-1.54%**	**16**
Lower Saxony	0.34%	0.29%	0.92%	0.57%	-1.60%	-0.44%	0.73%	**1.01%**	0.46%	-0.34%	**10**
North Rhine-Westphalia	0.01%	**-0.18%**	0.15%	0.24%	-1.62%	-0.47%	-0.30%	-0.19%	0.18%	**0.20%**	**1**
Rhineland-Palatinate	0.23%	0.60%	0.59%	0.84%	-0.91%	**1.37%**	0.67%	0.56%	**0.61%**	0.00%	**4**
Saarland	**-0.43%**	-0.03%	0.39%	0.32%	**-0.07%**	0.51%	**-5.96%**	0.50%	0.48%	0.14%	**2**
Saxony	-0.12%	0.55%	0.98%	0.00%	-1.10%	0.00%	1.17%	-0.71%	-0.51%	-0.14%	**8**
Saxony-Anhalt	0.78%	0.30%	0.50%	0.07%	-1.39%	0.01%	1.06%	-0.51%	0.52%	-1.32%	**14**
Schleswig-Holstein	0.44%	0.13%	**-2.00%**	0.24%	-0.43%	0.12%	-0.19%	-0.56%	-0.30%	-0.07%	**5**
Thuringia	**0.98%**	1.47%	0.99%	0.69%	-1.82%	-0.58%	0.88%	-0.46%	-0.31%	-0.55%	**11**

NB: Highest values in blue, lowest values in orange.
Source: German Federal Ministry of Finance, Federal Statistical Office, NORD/LB Floor Research

Appendix Age structure of the Laender populations

Share of different age groups in the population

	Under the age of 6	6 to 15 years old	15 to 25 years old	25 to 45 years old	45 to 65 years old	Aged 65+
Baden-Wuerttemberg	5.6%	8.8%	10.4%	26.0%	27.2%	22.0%
Bavaria	5.5%	8.5%	9.9%	26.2%	27.8%	22.0%
Berlin	5.4%	8.3%	10.2%	31.7%	25.1%	19.3%
Brandenburg	4.3%	8.7%	8.8%	21.7%	29.4%	27.1%
Bremen	5.5%	8.8%	11.1%	28.2%	25.4%	20.9%
Hamburg	5.6%	8.5%	10.5%	31.1%	26.1%	18.2%
Hesse	5.4%	8.7%	10.3%	25.9%	27.8%	22.0%
Mecklenburg-Western Pomerania	4.0%	8.2%	9.1%	21.4%	28.6%	28.8%
Lower Saxony	5.3%	8.6%	10.0%	24.5%	28.6%	23.6%
North Rhine-Westphalia	5.4%	8.7%	10.2%	25.7%	27.7%	22.4%
Rhineland-Palatinate	5.3%	8.6%	9.7%	24.8%	27.8%	23.8%
Saarland	4.9%	7.9%	9.3%	24.4%	27.6%	25.9%
Saxony	4.3%	8.6%	9.7%	23.1%	26.8%	27.5%
Saxony-Anhalt	4.1%	8.0%	9.1%	21.6%	28.3%	28.9%
Schleswig-Holstein	4.9%	8.4%	9.8%	23.9%	28.7%	24.3%
Thuringia	4.0%	8.3%	9.2%	21.7%	28.2%	28.7%
Federal level	5.2%	8.6%	10.0%	25.5%	27.6%	23.1%

Source: German Federal Statistical Office, NORD/LB Floor Research

Appendix Election calendar

Provisional dates for the next Laender parliamentary (Landtag) elections (and frequency)

Baden-Wuerttemberg	Spring 2031	5 years
Bavaria	Autumn 2028	5 years
Berlin	20 September 2026	5 years
Brandenburg	Autumn 2029	5 years
Bremen	30 May 2027	4 years
Hamburg	Spring 2030	5 years
Hesse	Autumn 2028	5 years
Mecklenburg-Western Pomerania	20 September 2026	5 years
Lower Saxony	Autumn 2027	5 years
North Rhine-Westphalia	25 April 2027	5 years
Rhineland-Palatinate	Spring 2031	5 years
Saarland	18 April 2027	5 years
Saxony	Autumn 2029	5 years
Saxony-Anhalt	06 September 2026	5 years
Schleswig-Holstein	18 April 2027	5 years
Thuringia	Autumn 2029	5 years

Source: German Federal Council (Bundesrat), NORD/LB Floor Research

Appendix

Data and definitions used

Data sources and actuality for securities
Nearly all of the data on securities used within this Issuer Guide is based on the Bloomberg financial information system. Information regarding the respective composition of the iBoxx indices was obtained from data provider Markit.

Data sources and assumptions for assessment of budget situation
Federal Ministry of Finance cash statistics were used to analyse the German Laender budgets for the financial year 2025. It should be noted that these figures do not necessarily reflect the actual budgets. Rather, the cash statistics relate to payments made in 2025. In our opinion, however, this does not appropriately illustrate the movements in financial resources connected to the system of financial equalisation among the German Laender (FKA) for the 2025 budget year. For instance, a payment claim can arise in one financial year, but actual payments can take place in part in the following year. Payments from federal supplementary grants (BEZ) are similar in this regard, which is why we use the provisional annual financial statements for 2025 of the Federal Ministry of Finance to illustrate the figures relating to the federal financial equalisation system. The historical data for the German Laender budgets is based on the final results of the development of the German Laender budgets.

Terminology: debt sustainability and interest coverage
Determining the debt sustainability and interest coverage represents an important part of our analysis of the budgets of the German Laender. These terms relate to the various key indicators that measure debt and interest expenses against other variables. Here, we use debt in relation to economic output or the total revenue of a sub-sovereign as one example of debt sustainability. In our debt sustainability analysis, we also look at debt per capita. When determining interest coverage, we focus primarily on the ratio of revenue or taxes to the interest expenses during a given period.

Data sources and assumptions for assessment of economic situation
When analysing the economic situation in a federal state, we used data from the Federal Statistical Office (Destatis) and from the respective statistical offices in the Laender. In some instances, we also used data from other sources, such as the German Patent and Trade Mark Office (DPMA). In some cases, the data used is based on analyses carried out by our NORD/LB Regional Economy and Sector Strategy (formerly known as Regional Research) teams.

Special thanks to our helping hands
As we say in handball: “Gut Sport!” We would like to take this opportunity to thank Luc Depping for his valuable contributions to this study. His commitment and ideas have resulted in a highly differentiated presentation of the market for bonds issued by German Laender in a slightly adapted format.

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