



Covered Bond & SSA View

NORD/LB Floor Research

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Covered Bonds

Market overview

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Primary market: selective issuance windows and high new issue premiums

Over the past five trading days, the mood in the primary market has again remained largely unchanged. Uncertainty on the part of market players remains deeply ingrained, which is prompting issuers to stay constantly alert for potentially attractive issuance windows in which to place their bonds. In the context of the current risk situation, however, investors are demanding substantial compensation in the form of higher new issue premiums in order to participate in these deals. For instance, the average new issue premium for the five EUR benchmarks placed over the last five trading days came to 7.2bp. Nevertheless, in some cases the order books were far from bursting at the seams, especially for the deals priced last Wednesday (21 October). In particular, the Austrian issuer HYPO NOE Landesbank für Niederösterreich und Wien (HYPO NOE) had to contend with a bid-to-cover ratio of just 1.0x in order to place its EUR 500m deal with investors. Consequently, the reoffer spread was fixed just 2bp tighter than the guidance of ms +42bp. In a change from previous weeks, the issuers active over the past five trading days tended to opt for covered bonds in the medium maturity segment. For example, in addition to HYPO NOE (6.8y), both Sparkasse Hannover (7.0y) and the Dutch institution Achmea Bank (6.0y) chose terms to maturity of a similar length for their deals, which in each case were also placed on the market on 21 October. The bid-to-cover ratios of Sparkasse Hannover (1.6x) and Achmea Bank (1.3x) were therefore on the low side, with investors spreading their capital evenly across the three deals featuring similar maturities. Following another brief lull in market activity, Luminor Bank from Estonia (cf. [Issuer View](#)) and Argenta Spaarbank from Belgium emerged from cover yesterday (Tuesday, 27.10.) to exploit a favourable issuance window and place fresh bonds on the market. The Belgians generated an impressive order book for their 3y European Green Bond (EUR 750m), ultimately peaking at EUR 3.0bn. As a result, the reoffer spread was reduced by 6bp to ms +34b over the course of the marketing phase. However, the trend towards higher new issue premiums continued here as well, with the premium reaching 9bp in this case. Luminor Bank limited the volume of its bond to EUR 500m upon opening the books. At the end of the marketing phase, the reoffer spread amounted to ms +41bp (guidance: ms +45bp area). For the coming weeks until the end of the year, we assume that there will be little change as far as the situation in the primary market is concerned. Issuers with unresolved funding aims or those keen to cover a portion of their refinancing requirements for the coming year by carrying out pre-funding activities are perhaps likely to remain on the lookout for suitable issuance windows to bring fresh supply to market. However, in our view, the prospect of larger issuance waves is incredibly unlikely, particularly on account of the current market environment.

Issuer	Country	Timing	ISIN	Maturity	Size	Spread	Rating	ESG
Argenta Spaarbank	BE	27.10.	BE6377241730	3.0y	0.75bn	ms +34bp	- / - / AAA	X
Luminor Bank	EE	27.10.	XS3556889841	3.5y	0.50bn	ms +41bp	- / Aaa / -	-
Sparkasse Hannover	DE	21.10.	DE000A5GS7V3	7.0y	0.50bn	ms +35bp	AAA / - / -	-
Achmea Bank	NL	21.10.	XS3551872412	6.0y	0.50bn	ms +32bp	- / - / AAA	-
HYPO NOE	AT	21.10.	AT0000A3Y634	6.8y	0.50bn	ms +40bp	- / Aa1 / -	-

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

Secondary market: trading volumes remain low

In the secondary market, too, investor demand for covered bonds can only be described as modest. Due to the general risk-off mood, investors in the secondary market followed the example of those in the primary market by largely staying on the sidelines. Despite the current market environment, recent new issues have proven to be quite stable. Among the primary market transactions examined in this edition, only the bond from HYPO NOE is currently trading 2bp above the reoffer spread, reflecting a negative secondary market performance. The very generously priced transactions from last Tuesday, particularly the deal placed by Argenta Spaarbank, were also absorbed exceptionally well by the secondary market. The current spread level therefore appears to provide effective support for the covered bond market, and for this reason we currently regard the prospect of significant spread widening as rather unlikely.

Increased issuance limit for covered bonds proposed in Australia

Last Thursday (22 October), the Department of Finance in Australia presented its [draft Banking Regulations 2026](#), which amend the Banking Regulations 2016 that are set to expire on 01 April 2027. In addition to minor technical adjustments, the proposal from Down Under most notably encompasses an increase in the issuance limit for covered bonds. At present, the cover pool of an authorised deposit-taking institution (ADI) is not permitted to exceed 8% of the bank's total assets, with this limit is now set to be raised to 12%. Following the publication of the draft Banking Regulation 2026 by the Australian Department of Finance, market participants have until 30 October to submit their comments in relation to the proposed set of amendments. The proposal to raise the issuance limit for covered bonds links back to the [Review into Small and Medium-sized Banks](#), which was reported by the Council of Financial Regulators to the Australian government in July 2025. In its analysis, the Council of Financial Regulators points out that most Australian banks do not make full use of the current 8% issuance limit; instead, they deliberately maintain a degree of headroom in order to fall back on this refinancing instrument during more challenging market phases. By raising the limit, banks could consequently have increased scope for the issuance of covered bonds. According to the Council, mid-sized Australian banks could, in particular, stand to benefit from such an increase by reducing their dependency on other funding sources and by facilitating access to international investors. For several years now, Australian banks have operated as established issuers of covered bonds in the EUR benchmark segment. While it is possible that an increase in the issuance limit could lead to greater primary market activity on the part of Australian issuers in this segment, particularly among medium-sized banks, this is by no means a fait accompli. For example, Australian covered bond issuers also place deals in currencies other than the euro, while any increase in the issuance limit would also not automatically translate into higher funding requirements for the issuers. A more likely scenario is that the proposed adjustment would only have a significant impact for those issuers for whom the current 8% limit acts as a constraint on their issuance activities. A more impactful development for the covered bond market would be the recognition of covered bonds within the Australian Liquidity Coverage Ratio (LCR) framework. In line with the [proposal](#) put forward in March 2026 by the Australian Prudential Regulation Authority (APRA), the country's financial regulator, covered bonds could in future be treated as Level 2A assets for LCR management purposes. This would reportedly lead to a surge in demand for covered bonds from Australian bank treasuries in particular.

Triodos Bank from the Netherlands joins the Covered Bond Label

The Covered Bond Label Foundation (CBLF) has welcomed yet another new member in the shape of Triodos Bank from the Netherlands. The financial institution, which in its operating activities focuses on areas of business that make a positive social, environmental or cultural impact, only unveiled its [covered bond programme](#) in June of this year. By joining the Covered Bond Label, the bank has taken another strategic step on its journey towards an inaugural transaction. In the jointly issued [press release](#), CBLF Administrator Luca Bertalot particularly emphasised that joining the CBLF prior to the bank's inaugural issuance underscores the strategic importance of the label for market participants. Arjan van Bussel, Group Director Treasury at Triodos Bank, added that by joining the label, the bank is seeking to reaffirm its commitment to providing clear, consistent and meaningful information to market players. According to van Bussel, the institution views this as a key element in building long-term relationships with its investors. With the inclusion of a ninth Dutch issuer, the total number of members in the CBLF has now risen to 163 issuers from 27 different jurisdictions.

Ukrainian parliament adopts legal framework for the issuance of covered bonds

With the adoption of a legal act on securitisations and covered bonds on 16 September, the Ukrainian parliament reached another regulatory milestone on its way to issuing covered bonds. The legal framework is closely aligned with European legislation and is set to enter force at the beginning of 2027. A key element of the act is the introduction of a dual recourse system, which grants investors a claim against both the issuing bank and the separate cover pool. In line with the European model, the cover pool assets remain on the bank's balance sheet. While the current security situation remains the primary constraint on the opening of a Ukrainian covered bond market, several other factors must be addressed before a Ukrainian issuer can launch an inaugural issuance. For example, the currency in which covered bonds are to be denominated remains unclear, although the underlying mortgages are in all likelihood denominated in Ukrainian hryvnia (UAH). As a result, significant levels of market activity cannot be expected in the short term, primarily on account of the prevailing security situation. In the medium to long term, however, the Ukrainian government is evidently keen to establish a covered bond market in order to support the necessary reconstruction of the country. In this context, the Ukrainian government has regularly emphasised that it views the creation of a functioning mortgage market as a core element in post-war reconstruction efforts.

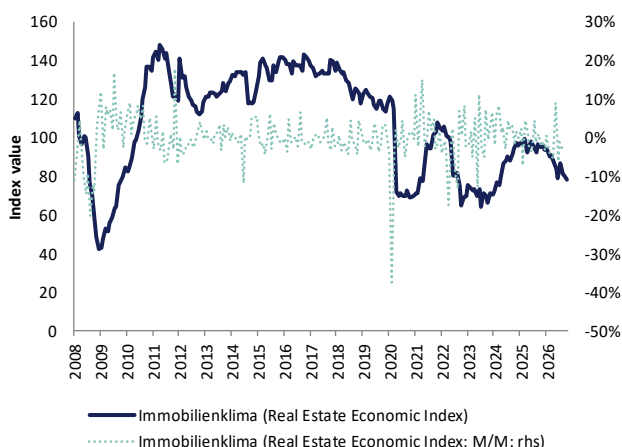
Morningstar DBRS upgrades MPS rating by a single notch

The rating experts from Morningstar DBRS have increased the Long-Term Issuer Rating of the Italian institution Banca Monte dei Paschi di Siena (MPS) by one notch to BBB (High). In this respect, the takeover and ongoing integration of Mediobanca were highlighted as positive factors. The transaction has expanded the MPS business model to include Investment and Private Banking, as well as Wealth Management. Moreover, the combined group is said to offer additional earnings and cross-selling potential, with initial synergy effects already becoming visible in the current financial year, as the rating agency explains. In addition to the already solid fundamentals, the transaction reportedly further strengthens the competitive position of MPS in the Italian banking market, which is of particular relevance in the context of the current wave of M&A activity.

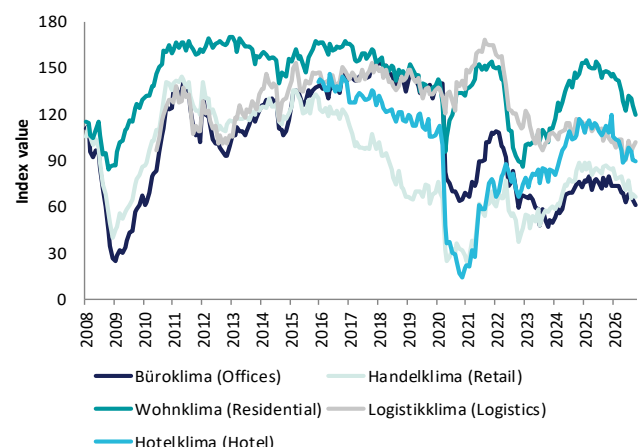
Deutsche Hypo Real Estate Climate Index falls to multi-year low

For many years now, the Deutsche Hypo real estate climate index has ranked among the most widely observed barometers for assessing the situation on the German property market. In October, the real estate climate index recorded its third monthly decline in succession. In total, the market views of around 1,000 real estate experts were collated for the 226th [monthly survey](#). In the end, the real estate climate index fell by -2.9% against the previous month, dropping to 78.2 points in the process. The overall index is therefore at its lowest level in around 2.5 years (March 2024: 75.9 points), having fallen by -17.0% since the beginning of 2026, which certainly lays bare just how challenging the general market environment has been so far this year. In particular, this situation is reflected in the fact that the real estate climate has declined in eight of the ten monthly surveys conducted in the year to date. For the October edition of the survey, this development has been driven by the investment climate, which fell by -10.3% (M/M) to 66.9 points. This drastic fall could not be offset by the +3.8% increase in the earnings climate, and its impact consequently fed through into the overall result. As expected, a glance at the individual segments also paints a gloomier picture. The most significant declines were recorded in the office sector (-5.0% M/M) and the residential sector (-4.9%). In each case, this represents the third decline in succession. While the climate in the retail sector dropped by -2.2%, the hotel sector climate registered only a marginal fall of -1.0%. Just a single sub-market recorded a positive development in October, with the logistics climate rising by +3.0% to bring this sub-index to 101.5 points overall. As such, alongside the residential sector, which leads the way at 119.4 points, the logistics sector is the only sub-segment to show a relatively positive market sentiment. In contrast, the retail (66.3 points) and office (61.3 points) climates present a particularly bleak outlook. Florian Meyer, head of the Hamburg office at Deutsche Hypo, views the weakening investment climate as a direct reflection of the current market situation. While family offices are selectively acting as buyers, a number of institutional investors continue to hold back. In Meyer's view, a widening gap has emerged between the price expectations of buyers and sellers, which is further complicating the situation. For a sustained market recovery to take effect, he argues that both private capital and international investment capital must return to Germany. Fundamentally speaking, while the prerequisites for increased market activity are in place, the real estate expert concludes that there are currently no signs of transaction activity gaining momentum in the near term.

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



Real estate climate index by segment



SSA/Public Issuers

Market overview

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

ECB preview: no weather for hiking

As was the case in September, the question at tomorrow's meeting is less likely to be whether key interest rates must be raised once more but rather when the time is right for this, as geopolitical uncertainty remains high and prices for oil and gas are still volatile. There has already been media speculation as to whether USA would attack Iran again before the mid-term elections, while Trump contradicted this and instead reported "constructive" dialogue. At the same time, the USA has withdrawn diplomatic staff from the region. Inflation has also increased further: according to data from Eurostat, the inflation rate in the eurozone rose from +3.3% Y/Y in August to +3.8% Y/Y in September, which is the highest level since September 2023, whereas core inflation only increased slightly from +2.4% Y/Y to +2.5% Y/Y. The costs of energy, which rose by +18.9% Y/Y compared with the same month in the previous year, are still the key driver of inflation developments. Against the backdrop of the latest views espoused by the ECB officials, the continuing high degree of uncertainty and volatility and in line with the expectations of the vast majority of financial market participants, we expect the ECB to leave all three key interest rates unchanged tomorrow. As part of our [preview](#), we also considered the question as to whether the central bankers would throw France a lifejacket to rescue the country from drowning in a sea of debt. In our opinion, the barriers to any intervention by the ECB remain significant: firstly, activation of the Transmission Protection Instrument (TPI) would breach the rules it has set itself, and secondly, the ECB's mandate explicitly excludes correcting individual states' fiscal mistakes. Divergences regarding national inflation trends, new borrowing and economic growth should be assessed accordingly by the market. In this respect, any intervention by the central bankers would create the wrong incentives in the long term. A precedent of this kind in France could then be interpreted by those responsible for budget policy in other sovereigns as a sign that fiscal discipline will be punished and conversely rampant borrowing will be rewarded. The once hysterical phrase "To Protect Italy" must under no circumstances be allowed to morph into "To Protect France"!

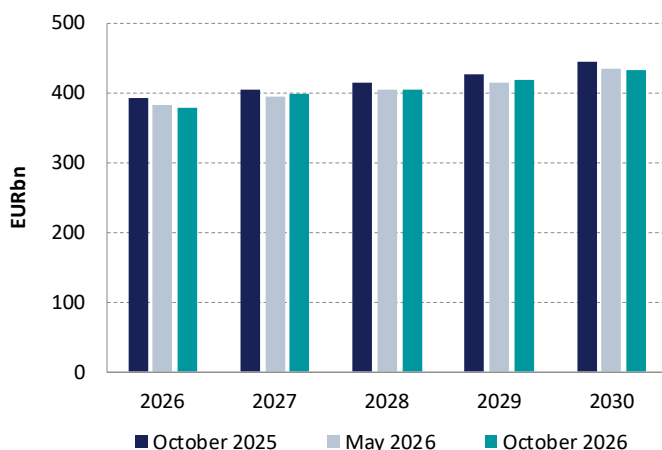
Moody's causes a surprise by leaving France's rating unchanged at Aa3

Following its regular review, the rating agency Moody's surprisingly left France's rating unchanged at Aa3 with a continuing negative outlook. Essentially, the rating experts justify this step by citing its diversified economy, its powerful public institutions and their confidence that the budget for 2027 will be adopted despite the difficult political and social environment and that, as a result, the deficit can be reduced slightly at least to 5.2% of economic output. Nonetheless, Moody's draws attention to the fact that weaker economic growth and a higher budget deficit had increased the French debt burden more than they had assumed at their last review. Given this and the politically fragmented environment, Moody's assumes that there is little chance of implementing a rapid budgetary consolidation. The debt burden is therefore likely to increase further and exceed 120% of GDP in 2027.

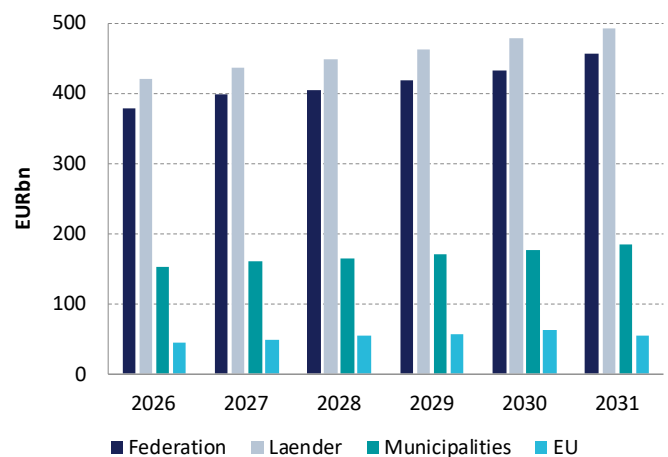
Lars Klingbeil, Federal Minister of Finance, presents the results of the 171st tax estimate

Following the 171st meeting of the “Tax Estimates” working group to analyse the anticipated development of tax revenues from 20 to 22 October in Saarbrücken, the results of its deliberations were presented recently. They indicate that tax revenues for 2027 at the level of the Bund (federal government), Laender and municipalities – without taking the tax reliefs resulting from the planned reform of income tax into consideration – of EUR 1,044.2bn are expected, which would be EUR 10.9bn more than was forecast in the May estimate (EUR 1,033.3bn). The same is also true of the other years covered by the tax estimate: compared with the May tax estimate, a consistently more positive development is also assumed in the years from 2028 to 2030, meaning that the estimated tax revenues will be around EUR 11bn higher on average each year than was expected in May. Unlike the Laender and municipalities, however, the Bund’s tax revenues are not expected to increase each year: while the federal government can expect more in 2027 (EUR +4.1bn) and in 2029 (EUR +3.2bn) than was assumed in spring 2026, (slightly) lower tax revenues are now expected in the other years covered in the projection. All things considered, when viewed cumulatively, the federal government can expect around EUR 3.3bn more revenue up to and including 2030. This year, however, the federal government will have to cope with EUR 3.0bn lower tax revenues than projected in May. The reason for this is changes to tax law, especially the energy tax cut for diesel and petrol. The positive prospects for tax revenues are reportedly largely linked to the Bund’s [autumn projection](#), which indicates that the German economy is expected to grow more strongly than expected: the federal government has raised its forecast significantly compared with its spring projection in that it now assumes that GDP will grow by +1.3%, having expected it to grow by just +0.5% back in May. Growth in economic output of +1.1% and +0.6% is anticipated for 2027 and 2028, respectively. Despite the improvement in the prospects for growth and increasing tax revenues overall, the pressure to consolidate the federal budget remains high, as Lars Klingbeil, Federal Minister of Finance, explains: “We can expect a stable trend in tax revenues for 2026 despite international crises and uncertainties. We have reacted to these crises and we are resilient. By and large, we will have no additional leeway in 2027 but will not have to fill any additional gaps either. It is, however, quite clear that we must consolidate the federal budget still further to obtain room for manoeuvre for the future”.

Estimate of the federal government’s tax revenues



Results of the tax estimate (October 2026)



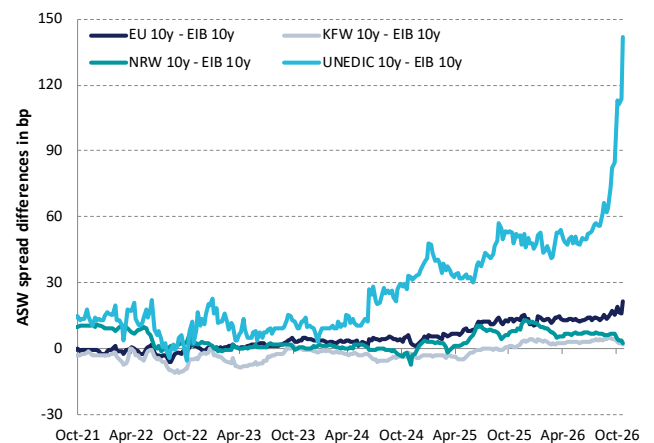
EIB increases investment in climate protection

The European Investment Bank (ticker: EIB) has announced that it will invest more capital in resilient infrastructure, water projects, agriculture and European technologies for climate adaptation up to 2030. To implement these projects, at least EUR 30bn is to be provided up to the end of the decade within the framework of the corresponding phase 2 of the [Climate Adaptation Plan](#), which is twice as much as in the last five years. In this context, the Board of Directors also approved new financing for projects of EUR 11.8bn, of which EUR 5.5bn is earmarked for making Europe self-sufficient in energy terms and reducing the cost of electricity. Among other objectives, the financial resources are to be put towards strengthening energy infrastructure in France, Germany, Hungary and Italy as well as promoting renewable energies in Austria, the Netherlands and Romania. This year, the EIB raised a total of EUR 33.5bn via EUR benchmark bonds, of which EUR 14bn was attributable to new green bonds (including a new European Green Bond worth EUR 3bn). The latest EIB spread widening was also linked to OAT turbulence since France (together with Germany and Italy) is the largest investor and guarantor in the supranational entity (around 19% each of callable capital). However, the EIB's ASW spread rose far less than the risk premiums of French agencies, such as UNEDIC, which underlines the persistently high levels of market confidence in the bank.

EIB: ASW spread trend (10y)



Spread gap: EIB vs. EU, KFW, NRW & UNEDIC (10y)



Source: Bloomberg, NORD/LB Floor Research

BADWUR adopts draft budget 2027

The Council of Ministers of the State of Baden-Wuerttemberg (ticker: BADWUR) adopted the draft budget for the coming year at the beginning of October and subsequently presented it to the Landtag, the state parliament. The budget provides for adjusted revenues of EUR 67.1bn, which are offset by adjusted expenses of EUR 71.4bn, resulting in a funding deficit of EUR -4.3bn. The credit financing plan for the 2027 budget year meanwhile envisages gross borrowing on the capital market of EUR 27.9bn. Less the expenses for debt repayment, the net volume comes to EUR 1.3bn. According to the press release, EUR 494m of this was already provided for in previous financial planning. Support for cities and municipalities in Baden-Wuerttemberg will remain a key objective for the state government in the coming year. Among other funds, it should receive around EUR 504m from the municipal economic component of the debt brake and an additional EUR 130m as part of the municipal financial compensation scheme.

Primary market

On the back of dynamic issuance activities observed last week, issuers from the SSA segment remained relatively active in the trading week under review despite the fact that we are now steadily approaching the end of the year. Primary market activities were dominated above all by the German Laender: Berlin (ticker: BERGER) got the ball rolling shortly after the publication of our previous edition, approaching investors with a bond in the five-year segment to raise EUR 500m in line with guidance at ms +14bp (order book: EUR 1.3bn). Following a breather of a few days, the Free and Hanseatic City of Hamburg (ticker: HAMBRG) also broke cover at the beginning of this week with its first ever [green bond](#) and raised EUR 500m. In the process, the sub-sovereign chose a maturity of ten years. The order book reached EUR 1.65bn at the end of the marketing phase, meaning that the deal was ultimately concluded at ms +27bp (guidance: ms +29bp area). The trio of Laender was finally completed yesterday (Tuesday) by the Free State of Thuringia (ticker: THRGN), which raised EUR 650m (8y) at ms +23bp (order book: EUR 825m). For this deal, the reoffer spread was fixed upon opening of the books. As a result, the new issuance volume of German Laender now comes to EUR 47.5bn this year. The European Stability Mechanism (ticker: ESM) also made a statement on Monday as the first European supranational to place a [DLT-based EUR benchmark](#) (long 3y) in the amount of EUR 1bn. It was priced at ms +3bp (guidance: ms +5bp area; bid-to-cover ratio: 2.2x). At the beginning of the week, attention was also focused on the European Union (ticker: EU), which was active with three taps in the course of its fourth bond auction in H2/2026 (cf. [funding plan](#)). In this context, the volume of the 2029 bond (coupon: 2.375%) was increased by EUR 2.7bn and that of the 2036 bond (coupon: 3.25%) by almost EUR 2.5bn, while the 2051 security (coupon: 0.7%) was increased by EUR 1.6bn. The bid-to-cover ratios came to 1.2x, 1.3x and 1.2x, respectively. With regard to the next few trading days, there are no deals or specific announcements in the pipeline, as all eyes are focused on the Fed this evening and, of course, on the ECB tomorrow.

Issuer	Jurisdiction	Timing	ISIN	Maturity	Size	Spread	Rating	ESG
THRGN	DE	27.10.	DE000A5GS4C0	8.0y	0.65bn	ms +23bp	AAA / - / -	-
HAMBRG	DE	26.10.	DE000A3MQTV9	10.0y	0.50bn	ms +27bp	AAA / - / -	X
ESM	SNAT	26.10.	EU000A2SCA15	3.4y	1.00bn	ms +3bp	AAA / Aaa / AAA	-
BERGER	DE	21.10.	DE000A5H3DL7	5.0y	1.00bn	ms +14bp	AAA / Aa1 / -	-

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

Cross Asset

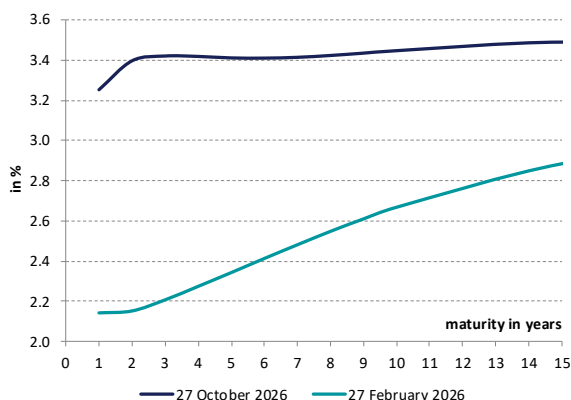
Relative Value – yellow card shown by the market

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

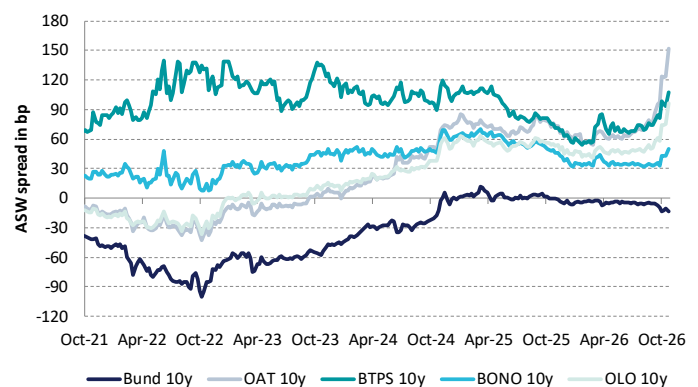
Risk tolerance of markets increasingly being put to the test

Figuratively speaking, the international bond markets can be characterised as a debt referee of the global financial system. Even though the public sector, banks and corporates themselves decide how much capital they want to raise from investors, it is the investors who nevertheless exert a major influence on the price they are willing to pay for the corresponding risk. Moreover, the referees are now starting to lose patience. High public debt, structurally rising deficit ratios, soaring interest costs and increasing competition for capital have meant that refinancing costs for governments have reached levels last seen several decades ago. As a result, the yield on 10y German Bunds climbed to as high as 3.65% in September, reaching a level last seen in November 2008. Funding conditions have also become more expensive for the governments of Belgium, Italy and Spain. However, the growing loss of confidence has manifested itself most emphatically in France, where the risk premium on 10y OATs relative to Bunds with the same maturity peaked at 176bp, a level last seen during the European sovereign debt crisis at the beginning of the last decade. This development also had a significant impact on the spreads within our SSA universe (excluding sovereigns). However, fears of an impending “sovereign debt crisis 2.0” are exaggerated in our opinion, which is likely to be due in part to the banking system in the Eurozone being on a much sounder footing than was the case at the start of the 2010s. Consequently, we believe it is essential to place the recent spread movements in the SSA/Public Issuers and Covered Bonds sub-markets that are relevant to us in the context of developments in related asset classes (e.g. sovereigns or even senior financials). Despite the environment remaining extremely “headline-driven”, we see the need to take stock of the current situation with regard to the relative attractiveness of covered bonds and public issuers.

EUR swap curve



ASW spread development of selected EGBs



Source: Bloomberg, NORD/LB Floor Research

Market environment squeezed by supply pressure and more selective demand

Both financial market participants and (monetary) policymakers are having to make their decisions in an environment of extreme uncertainty. As outlined in the introduction, the debate mainly centres around the question of long-term debt sustainability. Moreover, divergent inflationary trends, economic growth, fiscal discipline and political fragmentation are now being assessed and priced in differently. Nevertheless, growing capital expenditures, particularly by US hyperscalers, to expand AI infrastructure is leading to fiercer competition for financial resources in the investment-grade segment of the bond market. In order to continue to be perceived as attractive assets in the face of this new competition from the private sector, public-sector issuers and covered bonds must also offer investors appropriate financial incentives. Furthermore, inflationary worries and high prices for key oil and gas energy sources are weighing on the bond markets. Consequently, the long end has above all not been spared from the effects of a reassessment of the overall situation, which led to significant rises in yields and falls in prices in Q3/2026 in particular. For investors and issuers, this inevitably means they need to reassess the current market situation, as the current circumstances undoubtedly provide opportunities as well as challenges. A key component here, in our view, is the relative value approach, as investment decisions or the choice of refinancing vehicle can be justified or derived on this basis. In the following spread analysis, we draw on bond indices provided by Bloomberg for methodological consistency and refer to weekly data in the period from 01 October 2021 to 23 October 2026. We do not adjust the composition of the indices, so that although the specific characteristics between the indices may differ (e.g. with regard to duration), these differences remain largely stable over time.

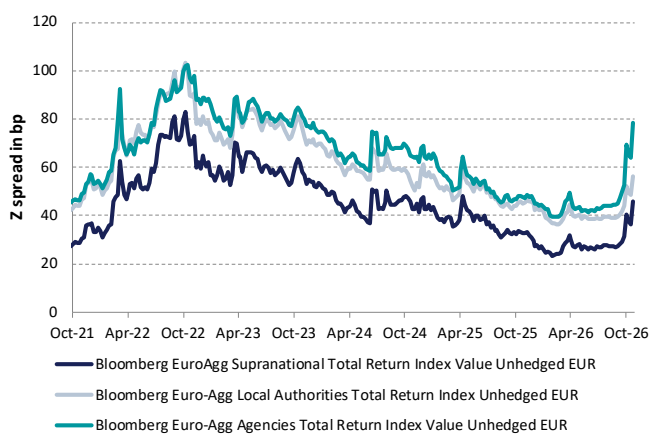
Bloomberg indices as broader “proxies” for our respective sub-markets

Compared with the well-known iBoxx EUR indices of the data provider Markit, the Bloomberg indices differ in terms of issuance volumes, among other aspects. The *iBoxx EUR Sub-Sovereigns* index, which is relevant for the SSA segment, includes issues in jumbo size (EUR ≥1bn). While the *iBoxx EUR Covered* only includes issues of benchmark size (EUR ≥500m outstanding volume), Bloomberg defines the concept of liquidity more broadly, for example in relation to the “*Bloomberg Euro-Aggregate Securitized – Covered TR Value Unhedged EUR*” and includes bonds with a volume of EUR ≥300m. In the October composition, the index includes 1,168 bonds and the weighted residual term to maturity is 4.34 years. (yield: 3.67%; iBoxx EUR Covered: 1,130 ISINs). All the following indices are also “Total Return” and “Unhedged” in EUR. The *EuroAgg Supranational* index has 307 bonds and the current weighted residual term to maturity is 8.83 years (yield: 3.74%). The *EuroAgg Local Authorities* index, which predominantly tracks sub-sovereign issuers, comprises 760 bonds with a weighted residual term to maturity of 8.19 years (yield: 3.81%), while 5.42 years can be derived for the *EuroAgg Agencies* index (655 ISINs; yield: 3.97%). The two above-mentioned indices also each have a “foreign” version that includes only issuers from outside the Eurozone. Furthermore, Bloomberg also includes under the heading “Local Authorities” bonds issued by German state banks, for example, which we expressly do not consider to be part of the SSA segment according to our definition. The *EuroAgg Financials* index depicts the Financials segment and consists of 1,695 bonds (weighted residual term to maturity 4.40 years; yield: 4.37%). Overall, we believe that this alternative depiction of the asset classes we analyse allows us to make an aggregated classification of the current spread structure.

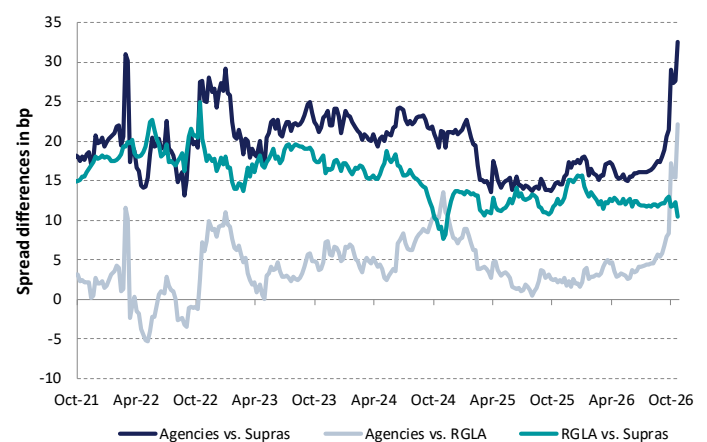
SSA segment: spread widening in all sub-markets

The recent widening of spreads in the SSA segment due to the sell-off in OATs marked a significant turning point, although the extent of this development has varied noticeably to date within the sub-markets. The most pronounced rise in risk premiums was recorded by the corresponding Bloomberg Agency index, whose Z-spread rose to as high as 78bp. By the mid-point of the year, the index still stood at around 43bp. In particular, this trend is likely to be attributable to the high proportion of French issuers, such as CADES, UNEDIC and AGFRNC. A direct comparison with the “Euro-Agg Foreign Agencies” index mentioned in the previous section, which includes significantly less liquid securities and whose Z-spread lately also stood at 78bp, may also be of relevance. However, issuers in the supranational and sub-sovereign segments were not entirely immune to widening spreads either. Compared with the state of play at the beginning of July, risk premiums for the corresponding indices each rose by around 20bp. Accordingly, the relative value between these two sub-markets within the SSA universe has not been structurally altered either. From an aggregated viewpoint, the risk premiums demanded by the market for sub-sovereigns relative to supranationals are still at a level which is largely consistent with the spreads that we have observed since the beginning of 2025.

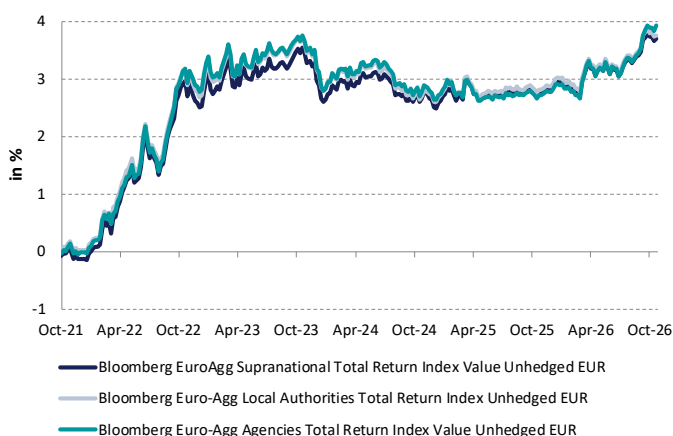
SSA: Z-spread development



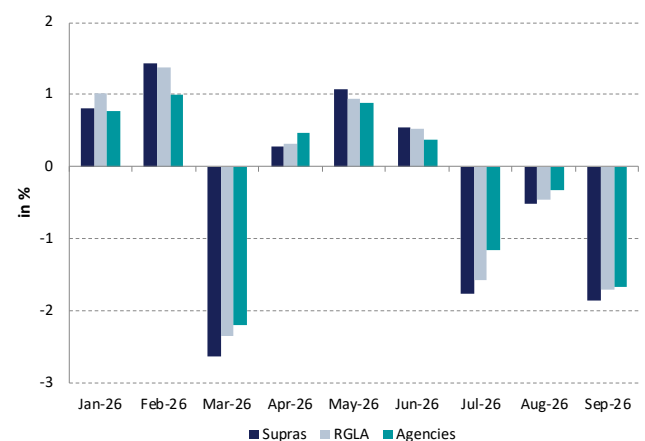
SSA: relative value development



SSA: yield development



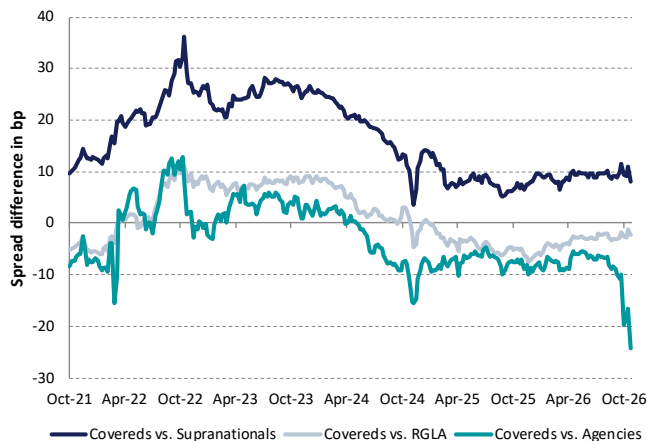
SSA: monthly total returns in 2026



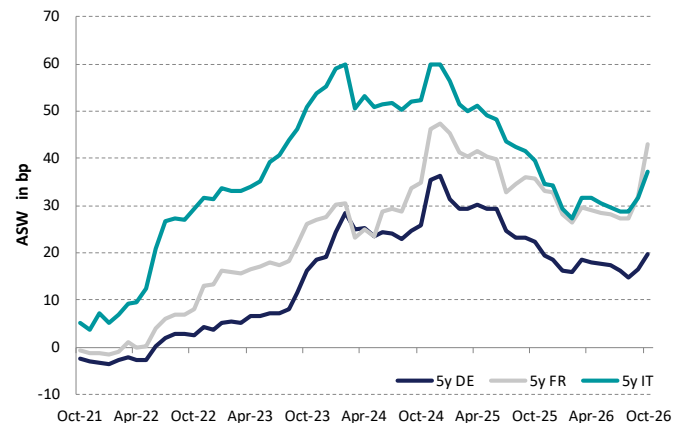
Covered bonds are not immune to rising spreads

The relative value of covered bonds compared with supranationals and sub-sovereigns has hardly changed in recent months based on the Bloomberg indices, whereas it has fallen significantly compared with agencies. We should point out once again that the weight of French issuers in the Bloomberg Agency index is significantly higher than in comparable indices for covered bonds, supranationals or sub-sovereigns. Consequently, the significant widening of spreads among French issuers has had a disproportionate impact. In our view, the high level of aggregation of the indices across the various jurisdictions somewhat obscures the trend in spreads on French covered bonds. These have performed considerably worse than their counterparts from Germany or Italy over the last 12 months. For instance, 5y German Pfandbriefe are currently trading around 23bp lower than French covered bonds with the same maturity. In October 2025, the difference was much less pronounced at 13bp. The comparison between French and Italian covered bonds paints an even clearer picture. The spread discount for 5y Italian covered bonds is currently -6bp, whereas a year ago there was still a pick-up of around +4bp. It would appear that the main factor driving the spread is the general sentiment in France, fuelled by political uncertainty and unresolved budgetary and debt problems. However, combined with increased energy prices and rising interest rates, the precarious situation in France has also contributed to a widening of spreads in the covered bond market that can be observed across all jurisdictions.

Z-spread: differences COV vs. SSA



Spread development covered bonds: DE, FR, IT

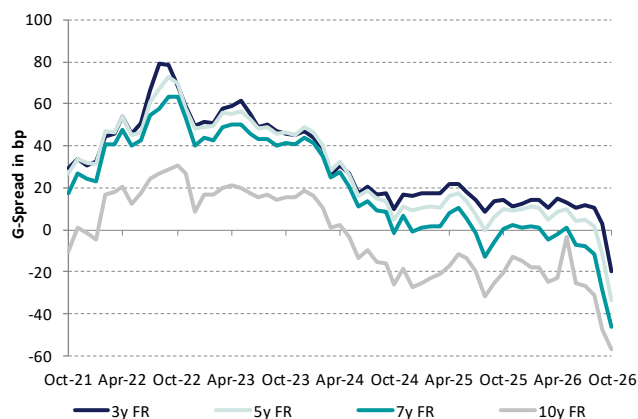


Source: Bloomberg, NORD/LB Floor Research

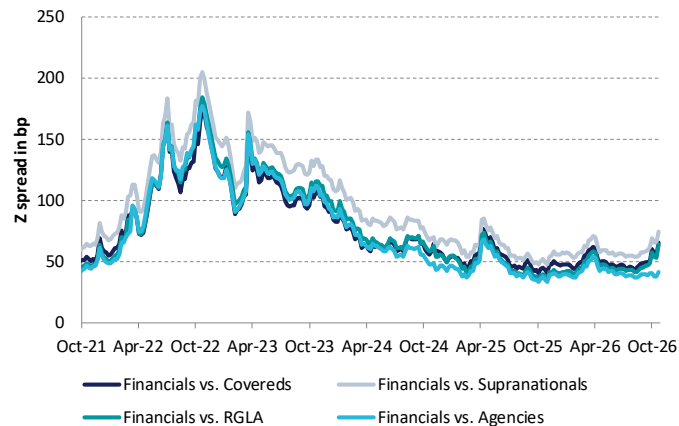
French covered bonds trading within OATs

The increase in yields on European government bonds over the course of the year has led to changes in relative value compared with national covered bonds in some jurisdictions. While the G-spread rose in Germany and the Netherlands, for example, it continued to decline in Italy and France or fell even further into negative territory. France, where covered bonds are now trading below OATs across the entire maturity spectrum, stands out once again in this respect. Apparently, investors assess the quality of the French banking and property markets more favourably than that of the French central government. Although the higher liquidity of government bonds remains one of the factors that makes them more appealing than covered bonds, the latter are generally less volatile and are currently performing better. In the long run, the question arises as to whether French covered bonds will replace OATs as the country's safe haven asset class.

Relative value: G-spread FR



Z-spread: differences Financials vs. Covereds & SSA

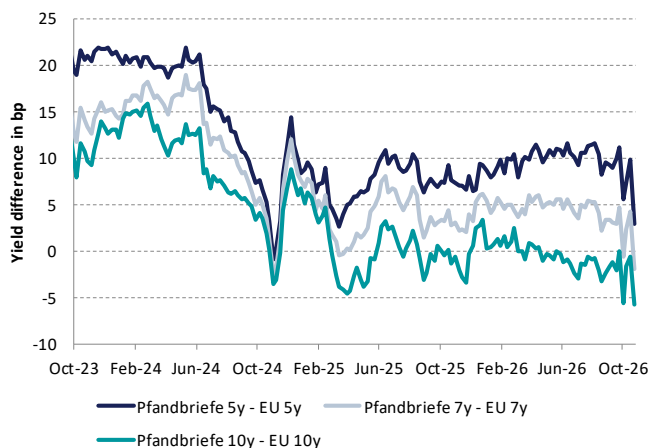


Source: Bloomberg, NORD/LB Floor Research

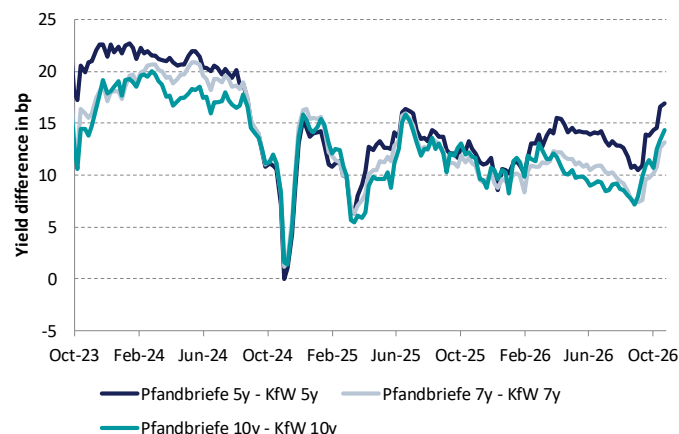
Seniors have seen significant widening of spreads in recent months

The resurgence of uncertainty has also had a major impact on the senior financials market. Based on the Bloomberg indices, spreads in this asset class have widened to a considerably greater extent than those of covered bonds in recent months, with French banks again being the hardest hit in this regard. This means that the trend of ever narrowing spread differences between our individual sub-segments that has been evident for several years has, at least in the short term, hit the buffers. Nevertheless, they remain slightly below the highs seen in 2025. Accordingly, we believe it is still too soon to talk about a lasting trend reversal – rather, in our view, this is a correction starting from a very low level. However, even in this context, a line should be drawn between individual sub-markets. Furthermore, the higher volatility of senior bank bonds compared with covered bonds or issuers from the SSA/Public Issuers universe leads to significantly quicker reactions in senior spreads. However, the widening tendencies in the senior market currently appear to be limited and seem to be driven primarily by fiscal and energy policy issues rather than as the result of capital or liquidity erosion. Accordingly, we consider the likelihood of sustained spread widening between the three asset classes to be rather low.

Yield differences: Pfandbriefe vs. EU



Yield differences: Pfandbriefe vs. KfW



Source: Bloomberg, NORD/LB Floor Research

Safe haven status supports KfW outperformance – doubts surround EU recovery

In terms of individual issuers or groups of issuers, we believe it can still be said that, from an investor perspective, German Pfandbriefe continue to be characterised as expensive compared with the two SSA heavyweights of the EU and KfW, although the specific trends in yield spreads have recently taken on a new dynamic in this context. For example, investors are currently demanding a pick-up of +14bp for holding 10y Pfandbriefe compared with KfW bonds of the same maturity, a level last seen in June 2025. Comparable results can also be observed for the shorter maturities we have looked at. In our opinion, the outperformance of KfW relative to Pfandbriefe in recent weeks is less a reflection of structural repricing and more a confirmation of the safe haven status of Germany's largest promotional bank. Furthermore, KfW has already raised the majority of its planned funding for 2026, which is likely to have additionally supported the spread trend. As far as the relationship between Pfandbriefe and EU benchmarks is concerned, we already pointed out in previous publications that a certain amount of outperformance by covered bonds is entirely justified due to various debt-financed programmes and the accompanying significant increase in issuance activity. However, we continue to take a fundamentally sceptical view of the extent of this tightening, as EU bonds still enjoy significant advantages from a regulatory point of view compared with Pfandbriefe. Although yields on 10y EU bonds have cautiously edged towards the level of Pfandbriefe with the same maturity in recent weeks, this trend in October was thereafter marked by high volatility. As the EU is likely to reduce its issuance activities upon expiration of the NGEU programme, we consider it conceivable in principle that the EU will outperform in future – although the entirely legitimate question arises as to whether this scenario might not already be priced in.

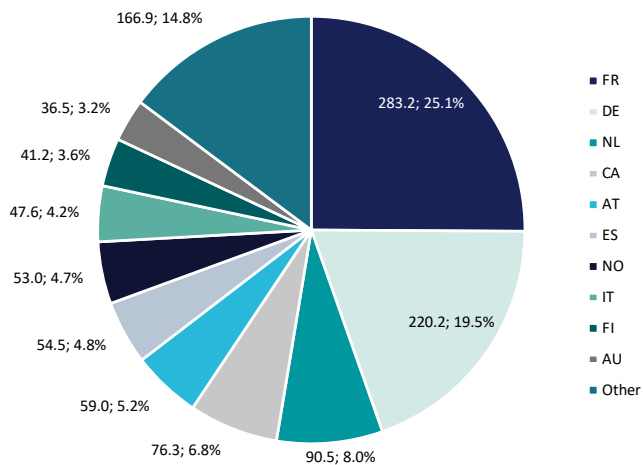
Conclusion and outlook

In a figurative sense, the market is showing a yellow card, but so far in a highly targeted manner. The recent turbulence is reflected in the absolute valuation levels of the asset classes under review. However, the strongest reactions – and therefore warnings – are concentrated on French issuers and on market segments with a structurally higher exposure to France, with a particular emphasis in this regard on agencies. The index snapshot should not be confused with the full picture: differences along the maturities are partly averaged out, while heterogeneous state and issuer weightings limit the informative value of aggregated Bloomberg indices, especially in the case of public issuers. Whether the market sticks with a yellow card or perhaps runs the risk of upgrading the caution to a red card will primarily be decided by developments on the fiscal policy front. A lack of budgetary discipline, a continuing rise in public debt and increasing political fragmentation could damage investor confidence in the long term. This would result in higher risk premiums and less favourable refinancing conditions for sovereign and sub-sovereign issuers. Covered bonds continue to enjoy a credibility advantage, yet even the most defensive asset class does not operate in isolation from the market. In a broader risk-off scenario, it would be virtually impossible to avoid spreads widening here too.

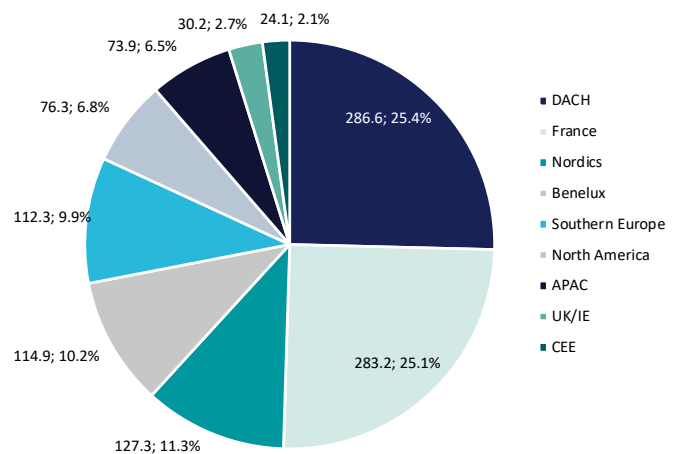
Charts & Figures

Covered Bonds

EUR benchmark volume by country (in EURbn)



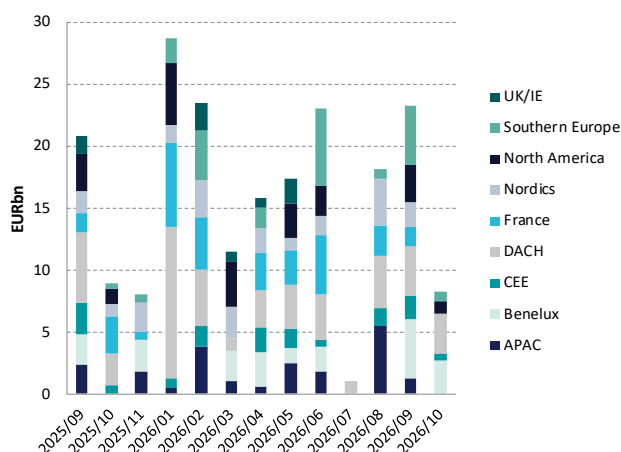
EUR benchmark volume by region (in EURbn)



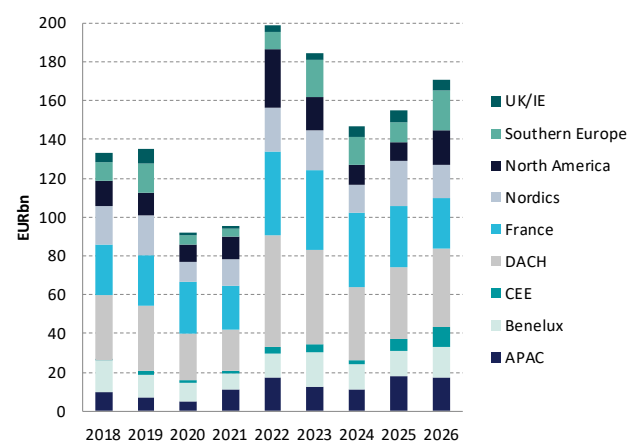
Top 10 jurisdictions

Rank	Country	Amount outst. (EURbn)	No. of BMKs	There of ESG BMKs	Avg. issue size (EURbn)	Avg. initial maturity (in years)	Avg. mod. Duration (in years)	Avg. coupon (in %)
1	FR	283.2	279	42	0.97	9.0	4.0	1.90
2	DE	220.2	304	49	0.68	7.8	3.5	2.00
3	NL	90.5	90	5	0.95	10.0	4.9	1.82
4	CA	76.3	61	1	1.24	5.7	2.5	2.13
5	AT	59.0	97	5	0.60	8.2	3.5	1.82
6	ES	54.5	50	4	0.99	9.3	3.2	2.40
7	NO	53.0	63	13	0.84	6.9	3.2	1.84
8	IT	47.6	60	6	0.75	7.8	3.6	2.43
9	FI	41.2	51	4	0.80	6.6	2.7	2.13
10	AU	36.5	37	0	0.99	7.2	3.1	2.20

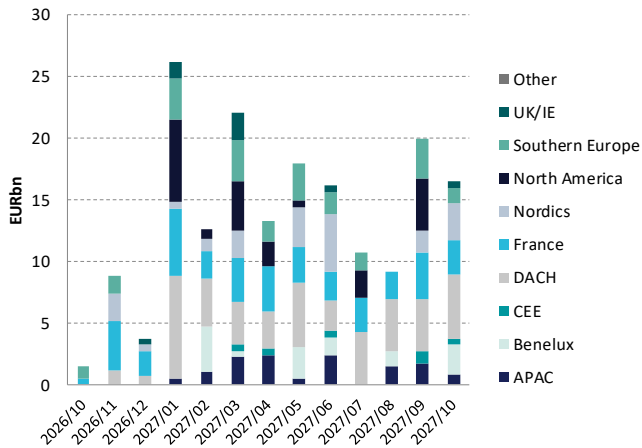
EUR benchmark issue volume by month



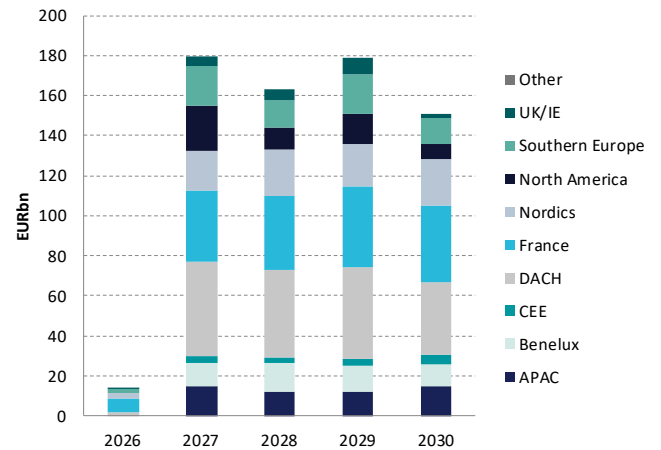
EUR benchmark issue volume by year



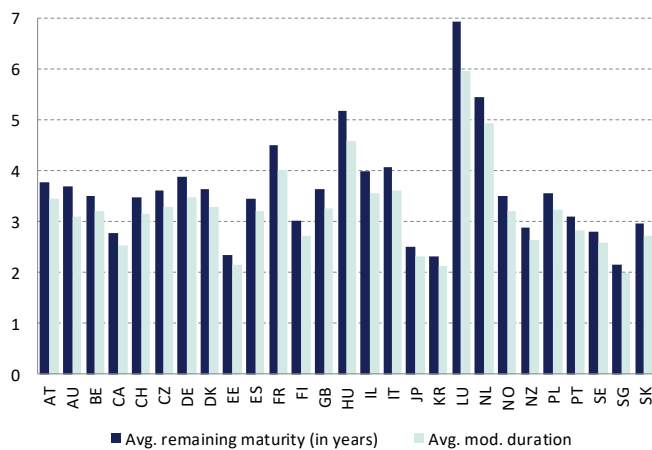
EUR benchmark maturities by month



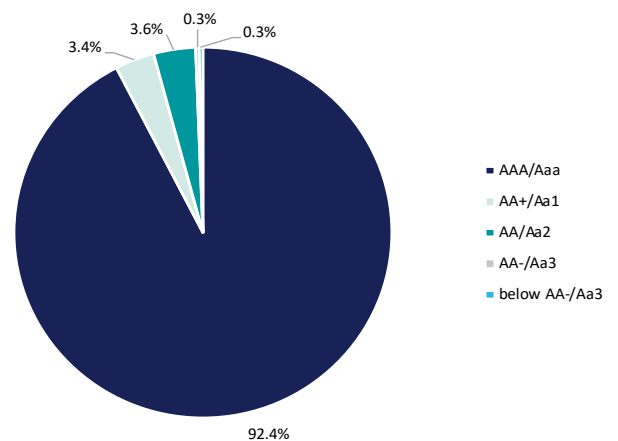
EUR benchmark maturities by year



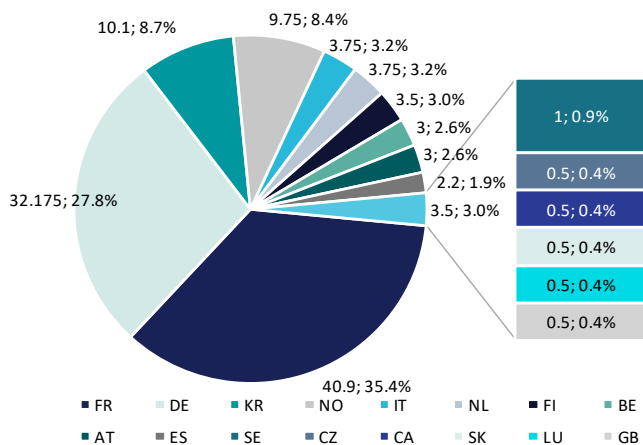
Modified duration and time to maturity by country



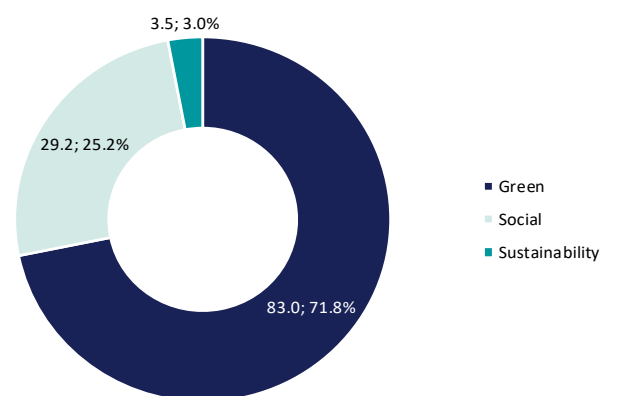
Rating distribution (volume weighted)



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

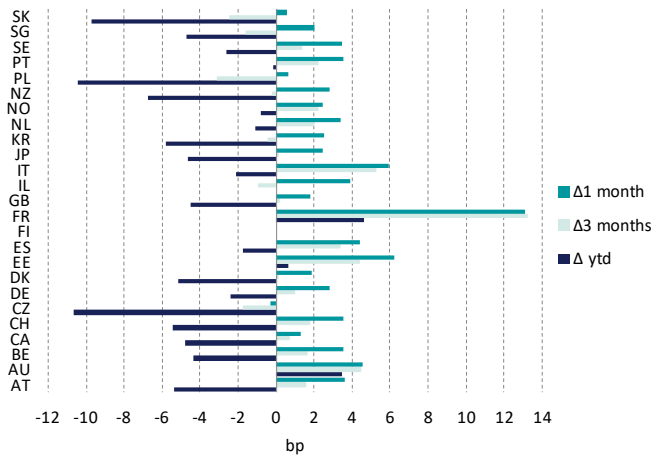


EUR benchmark volume (ESG) by type (in EURbn)

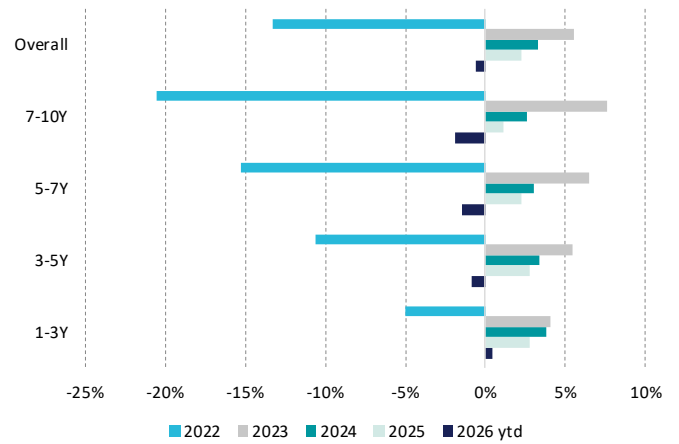


Source: Market data, Bloomberg, NORD/LB Floor Research

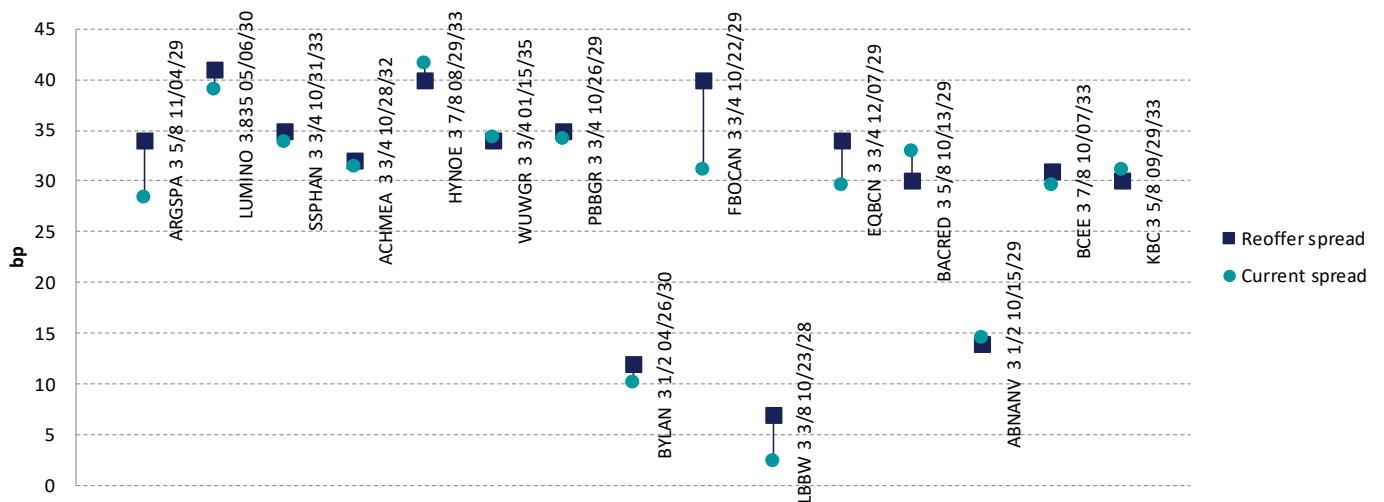
Spread development by country



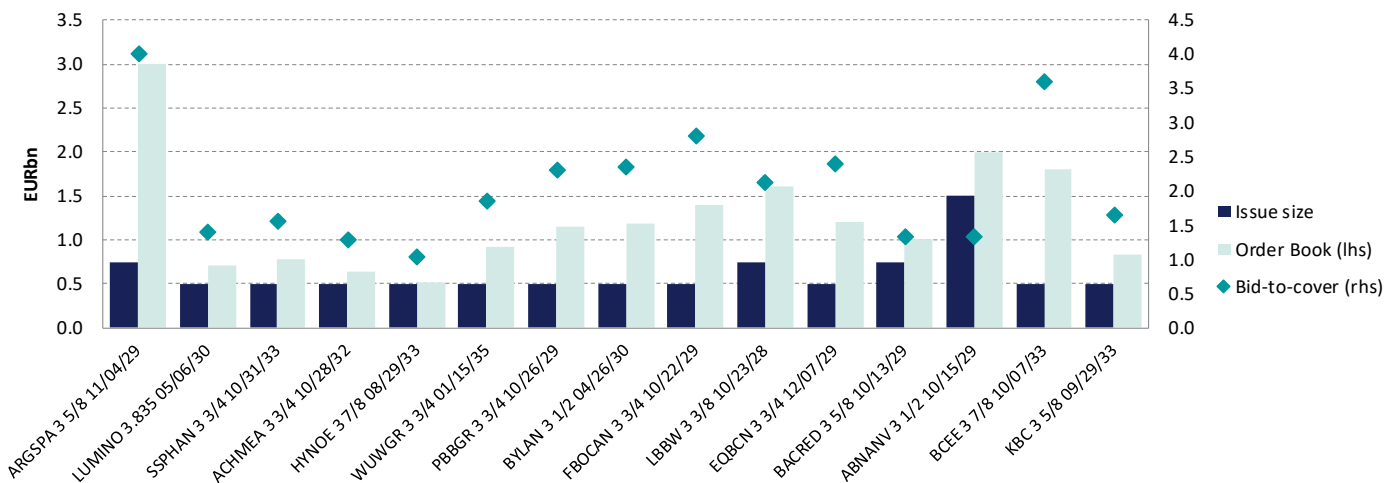
Covered bond performance (Total return)

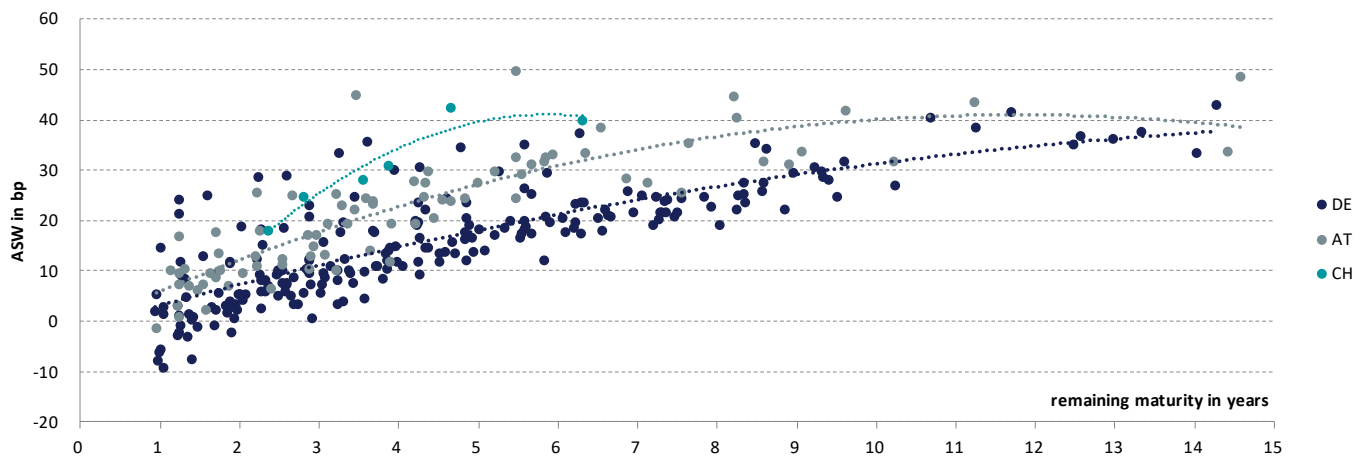
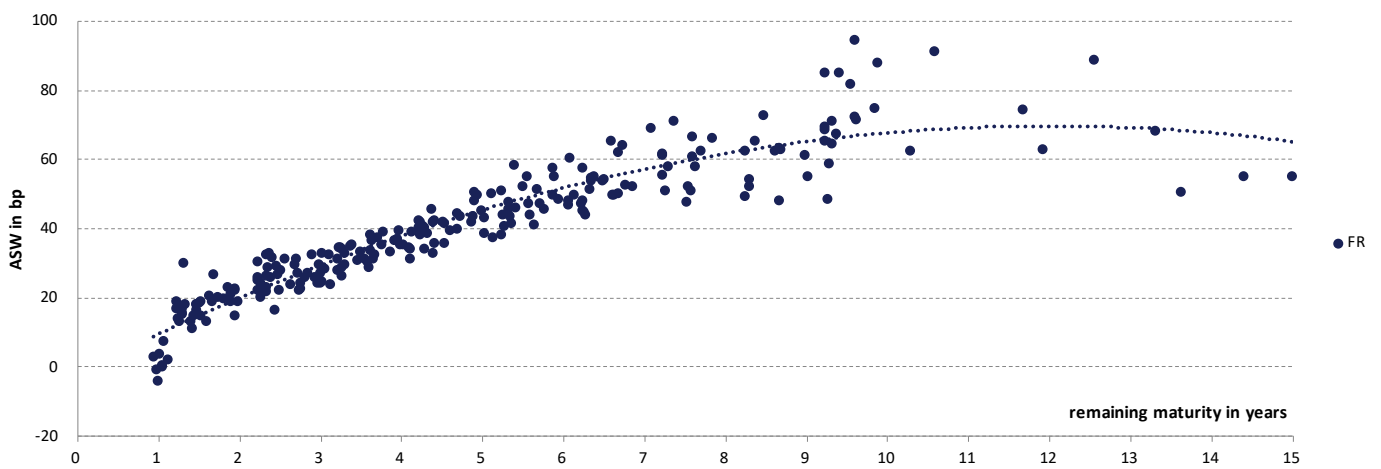
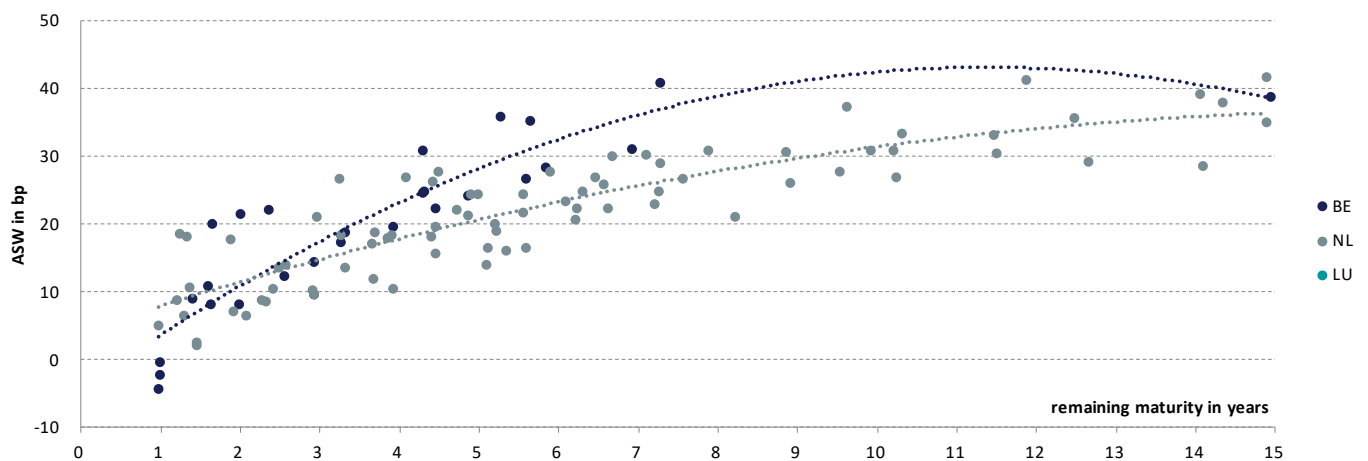


Spread development (last 15 issues)

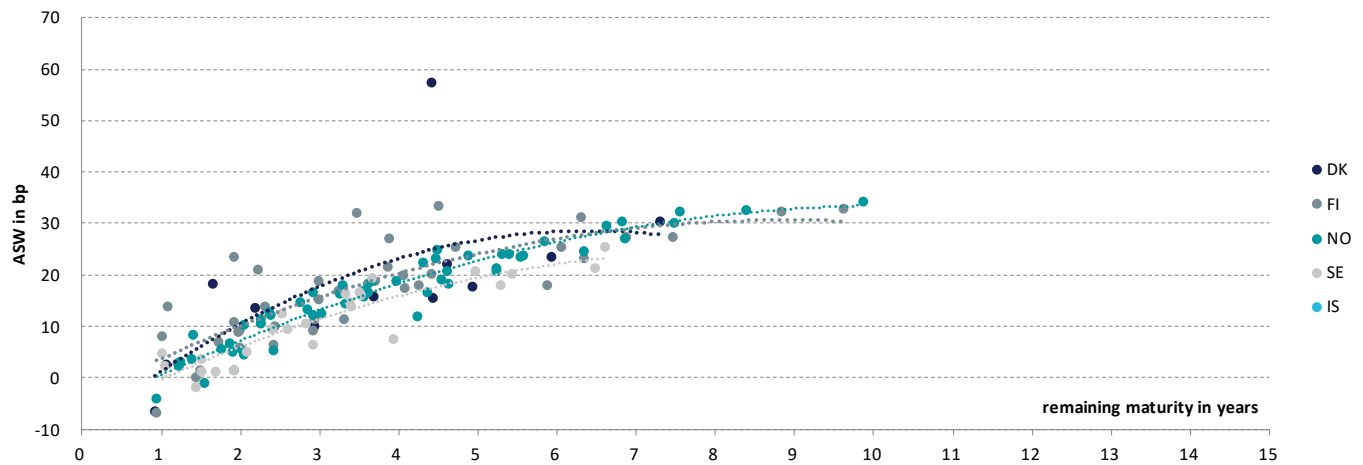


Order books (last 15 issues)

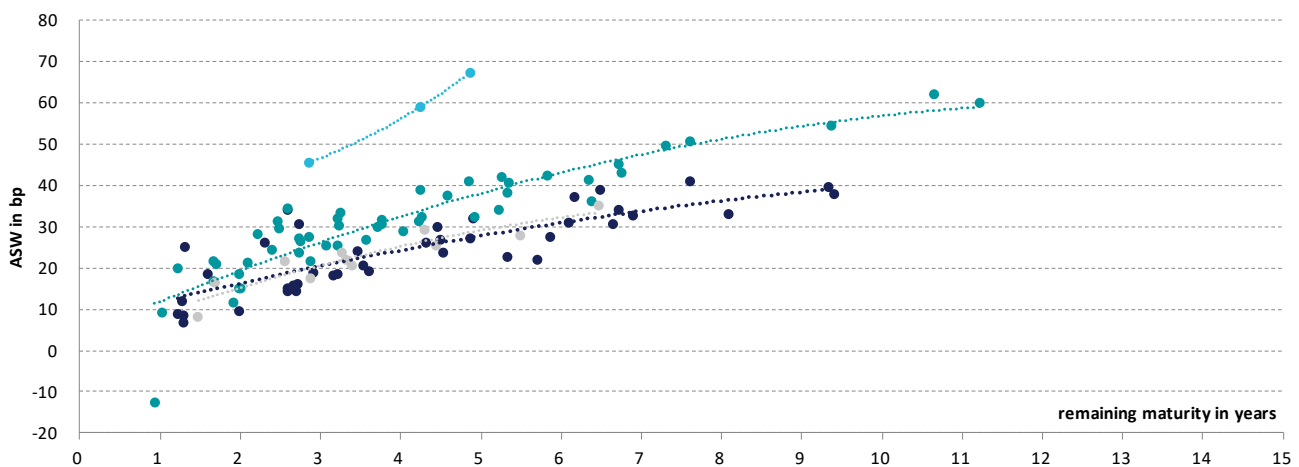


Spread overview¹DACH   France Benelux   

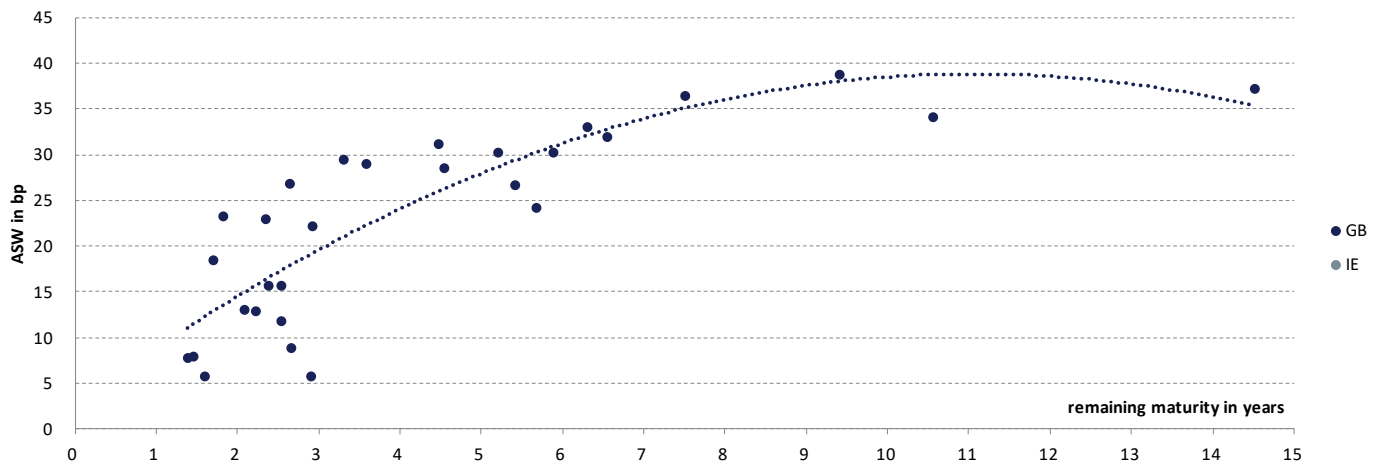
Nordics

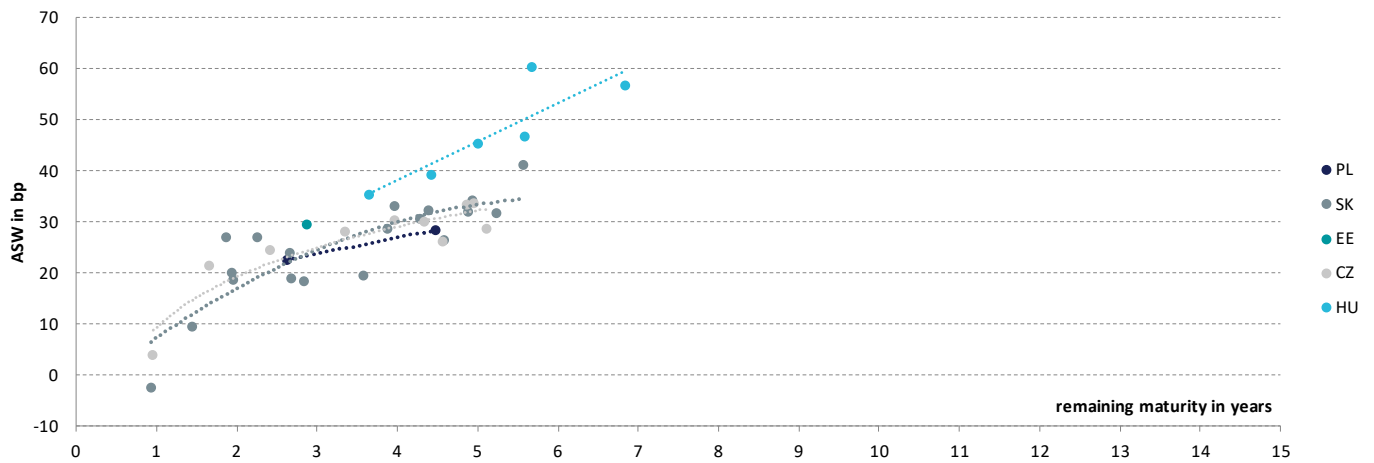
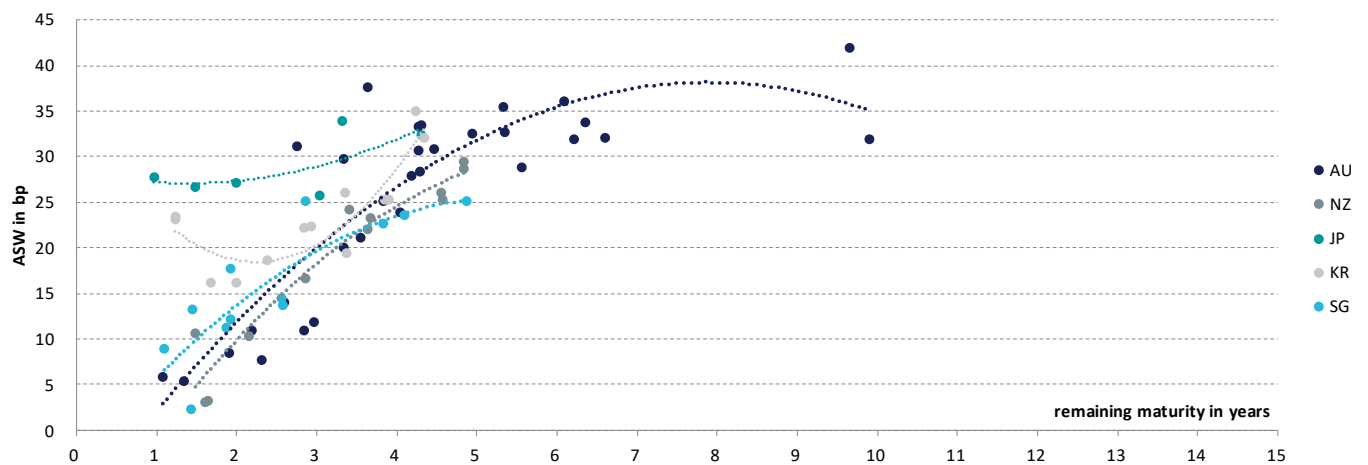
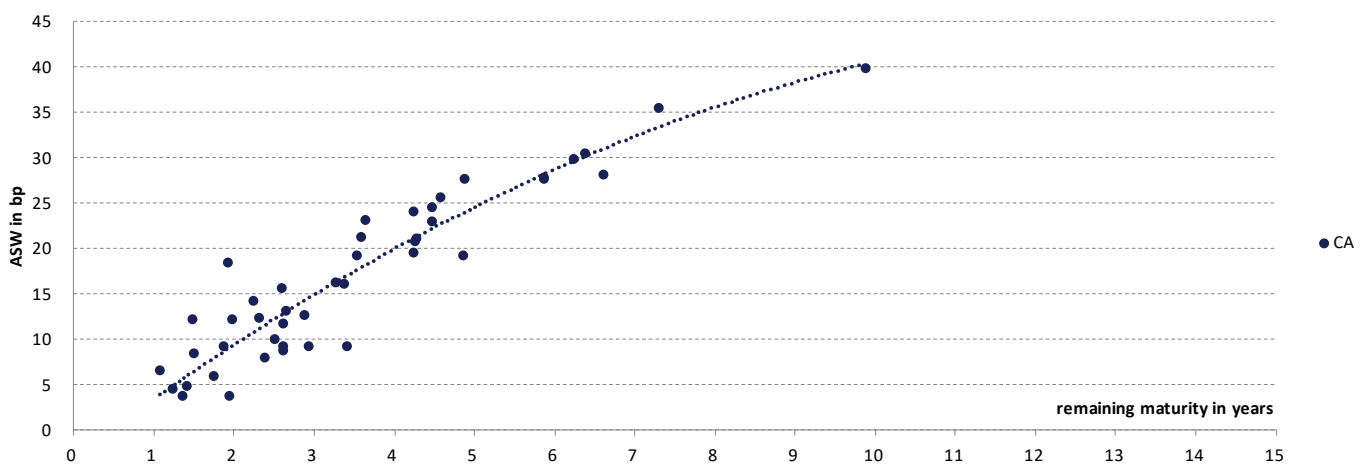


Southern Europe



UK/IE



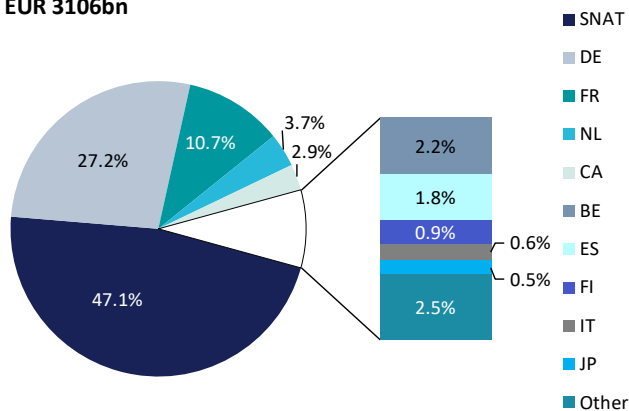
CEE APAC North America 

Charts & Figures

SSA/Public Issuers

Outstanding volume (EUR bmk)

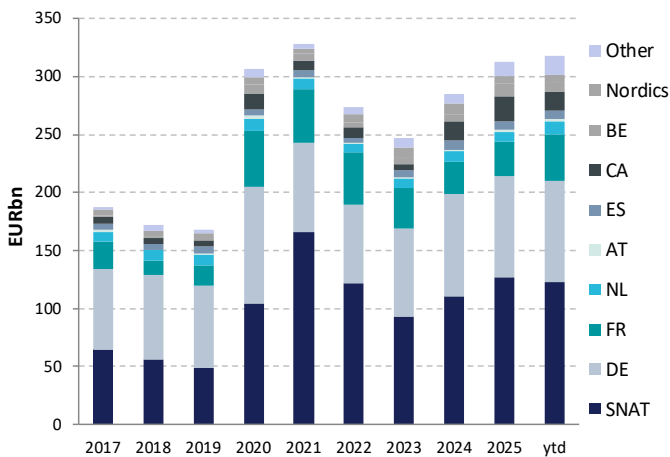
EUR 3106bn



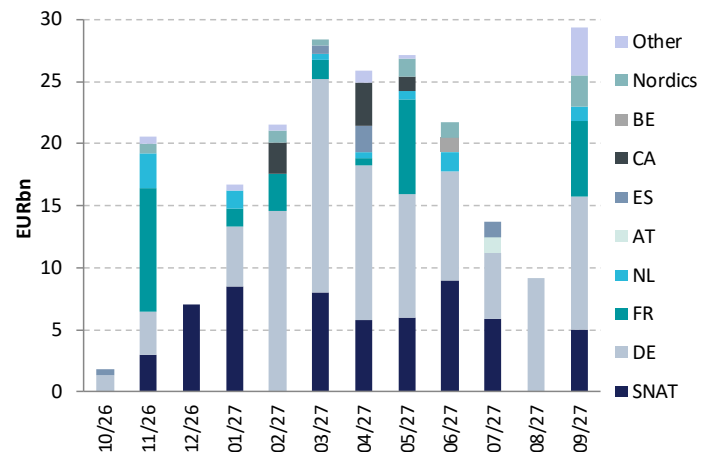
Top 10 overview (EUR bmk)

Jurisdiction	Vol. (EURbn)	No. of bonds	ØVol. (EURbn)	Vol. weight. ØMod. Dur.
SNAT	1,461.6	288	5.1	7.3
DE	843.5	641	1.3	5.5
FR	333.3	219	1.5	4.8
NL	114.2	98	1.2	5.5
CA	88.8	75	1.2	6.0
BE	67.3	59	1.1	8.5
ES	54.7	82	0.7	4.6
FI	28.5	29	1.0	3.4
IT	19.9	27	0.7	3.9
JP	16.0	19	0.8	2.8

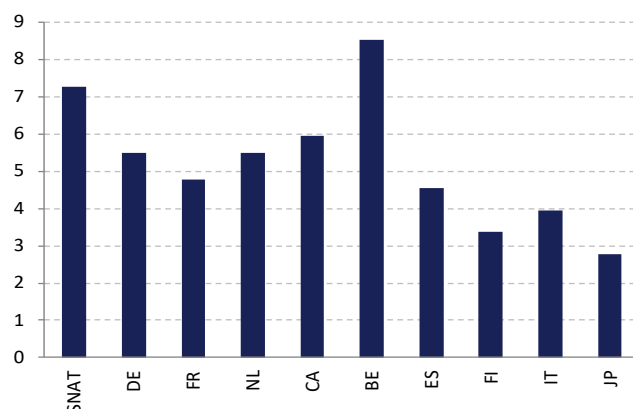
Issue volume by year (EUR bmk)



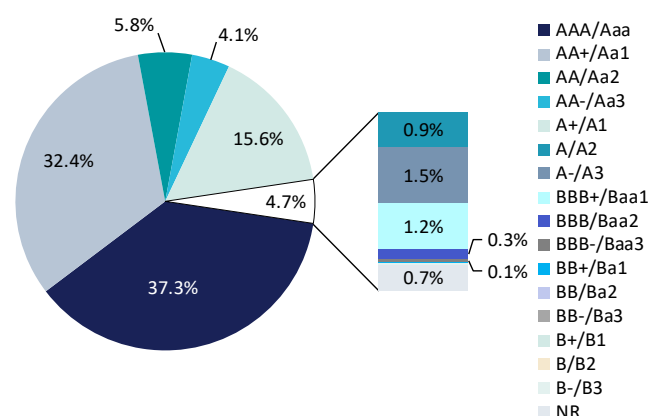
Maturities next 12 months (EUR bmk)



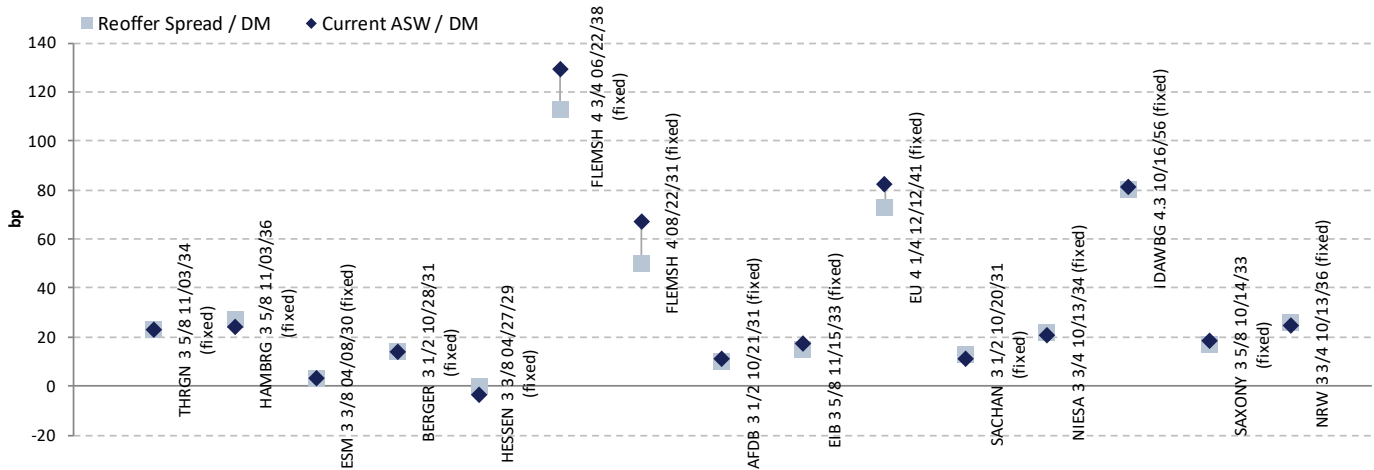
Avg. mod. duration by jurisdiction (vol. weighted)



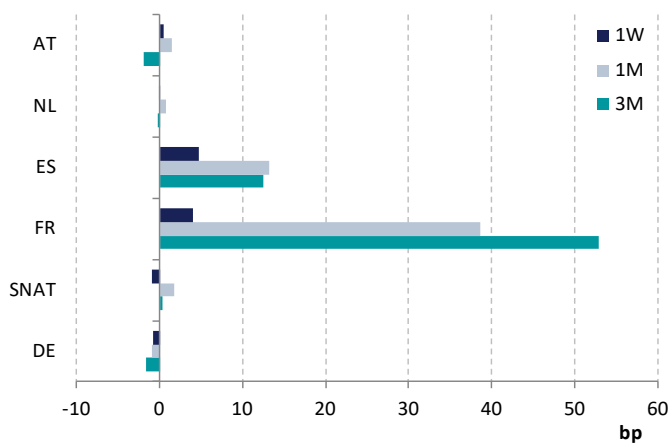
Rating distribution (vol. weighted)



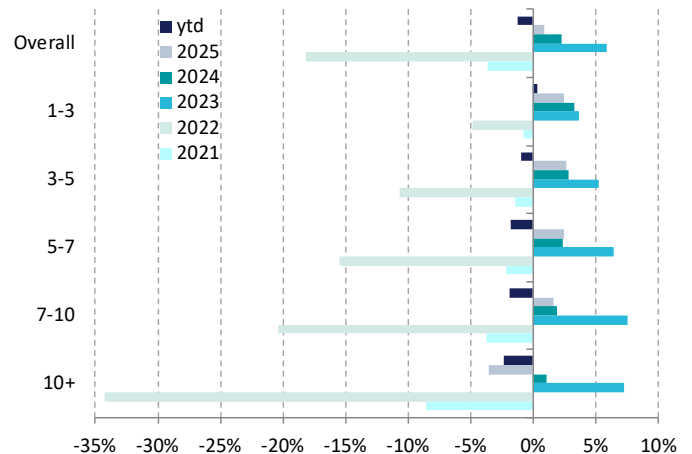
Spread development (last 15 issues)



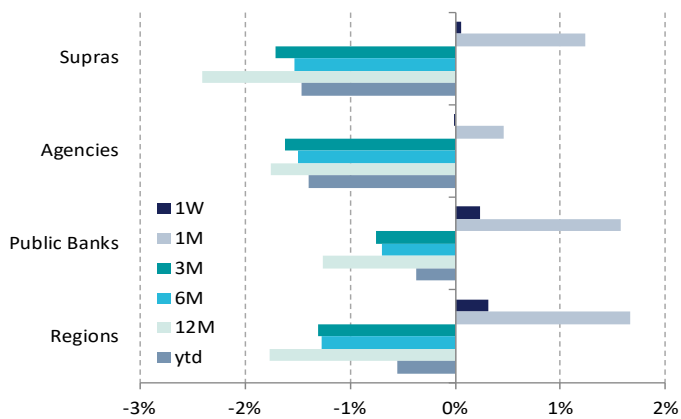
Spread development by jurisdiction



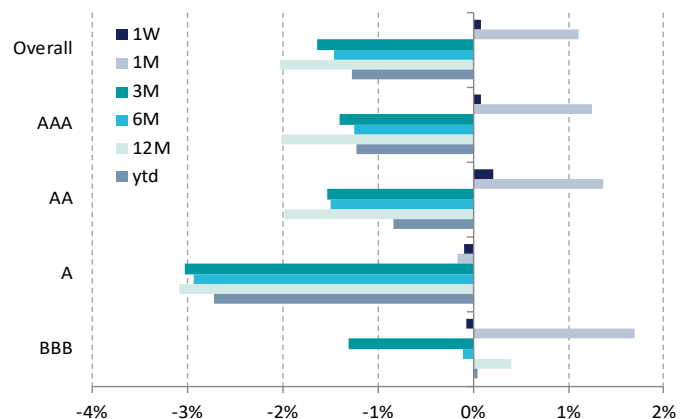
Performance (total return)



Performance (total return) by segments

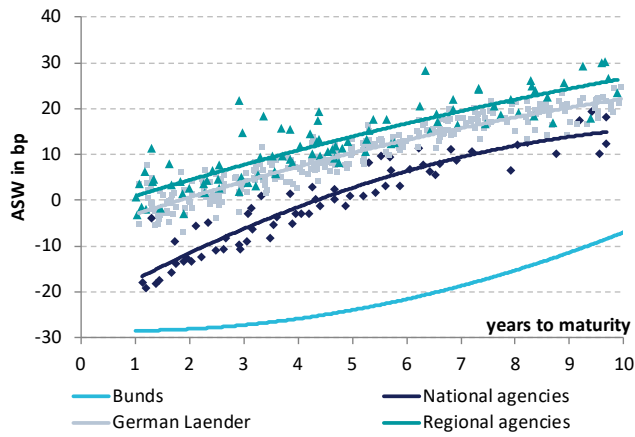


Performance (total return) by rating

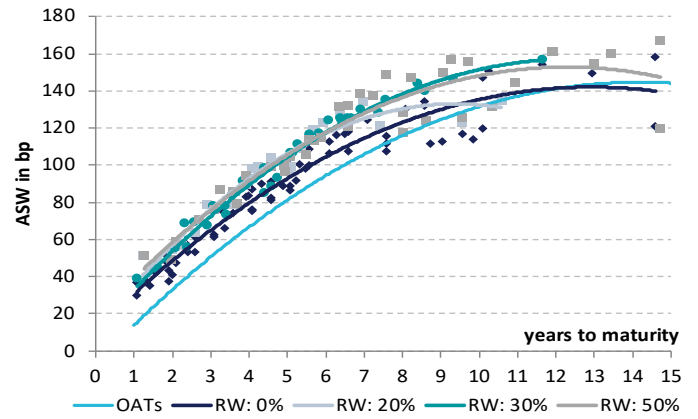


Source: Bloomberg, NORD/LB Floor Research

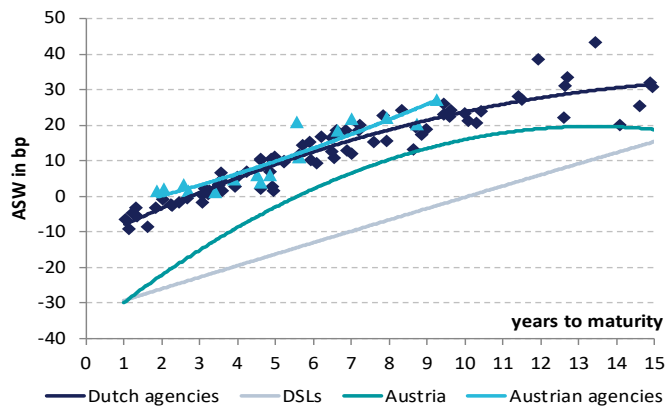
Germany (by segments)



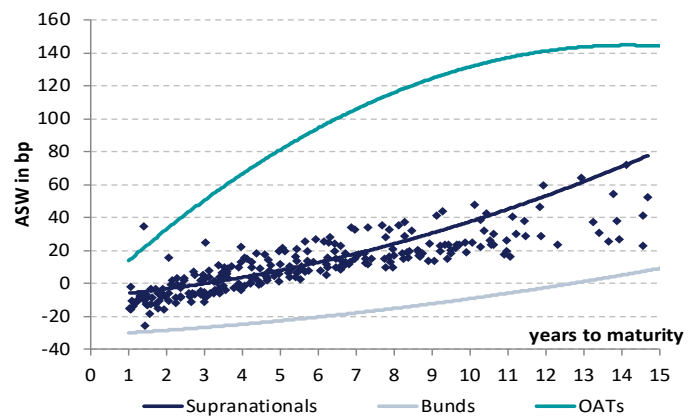
France (by risk weight)



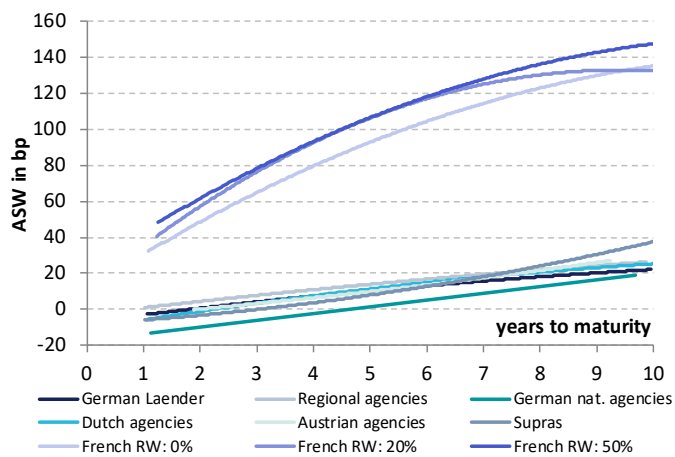
Netherlands & Austria



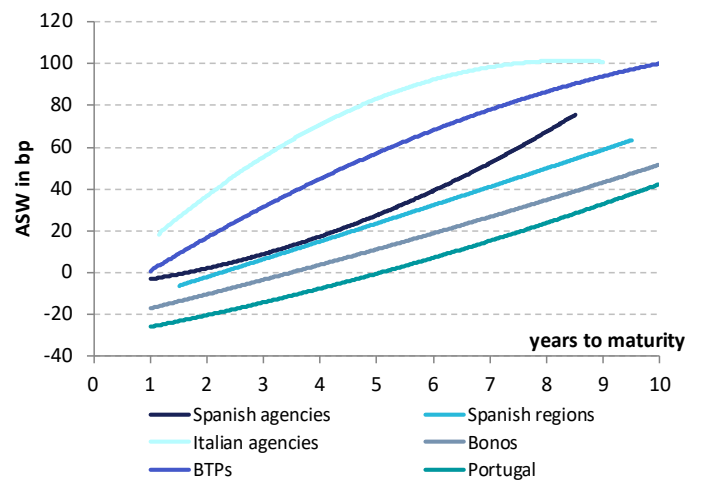
Supranationals



Core



Periphery



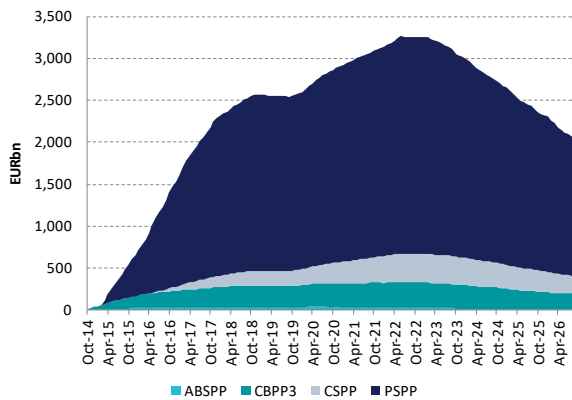
Source: Bloomberg, NORD/LB Floor Research

Charts & Figures

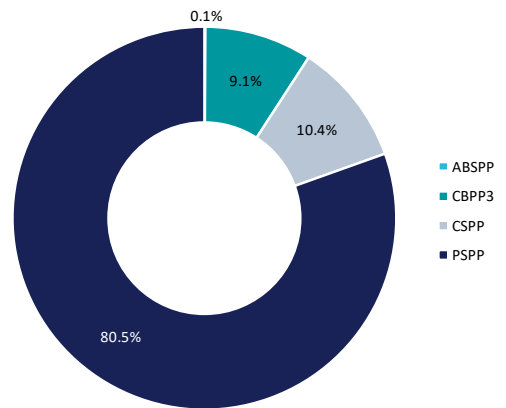
ECB tracker

Asset Purchase Programme (APP)

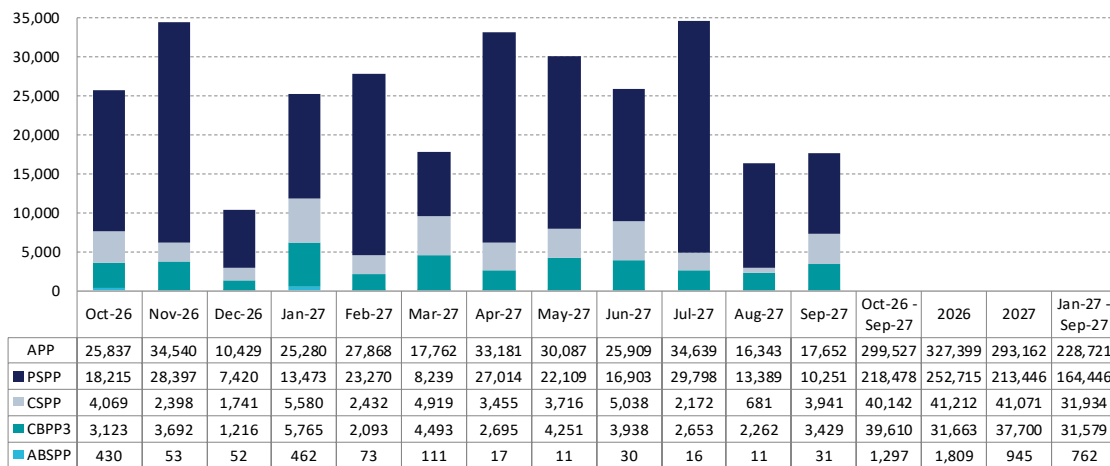
APP: Portfolio development



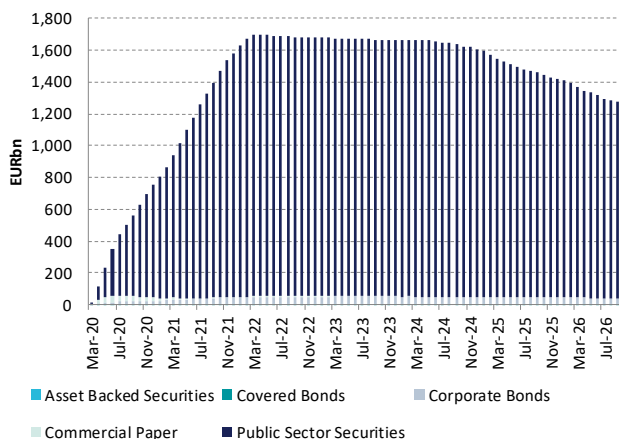
APP: Portfolio structure



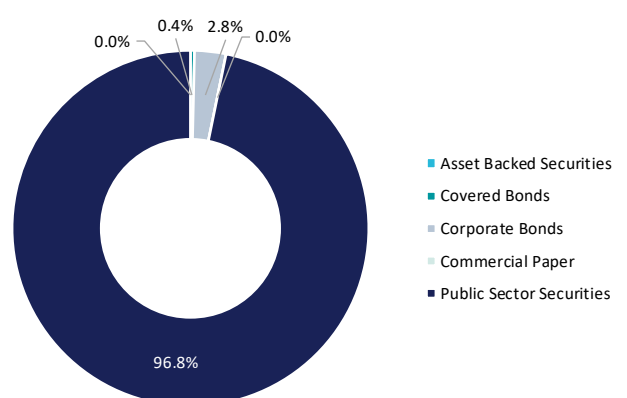
Expected monthly redemptions (in EURm)



PEPP: Portfolio development



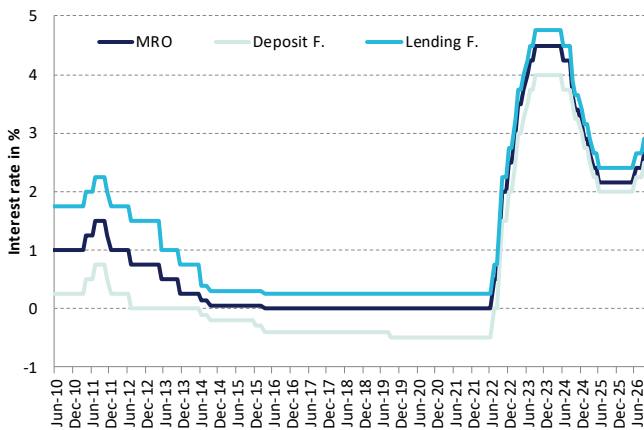
PEPP: Portfolio structure



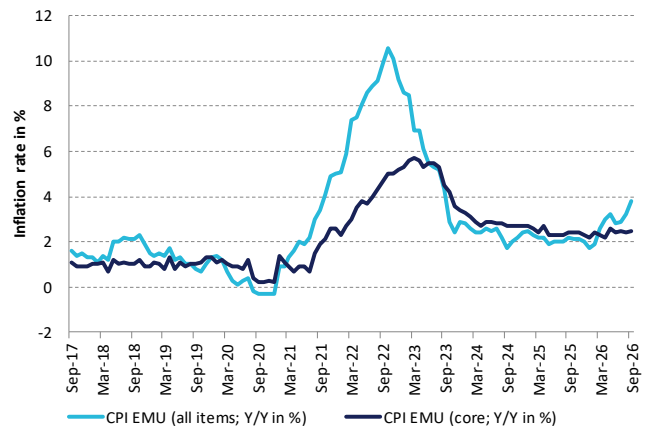
Charts & Figures

Cross Asset

ECB key interest rates



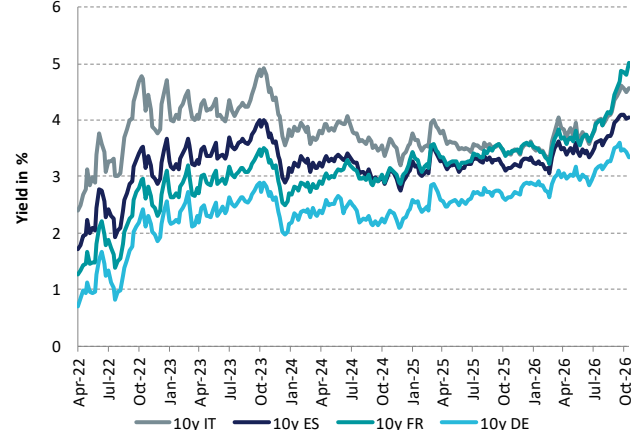
Inflation development in the euro area



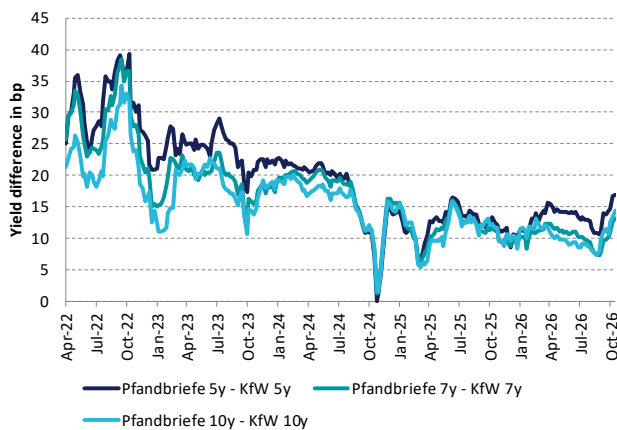
Bund-swap-spread



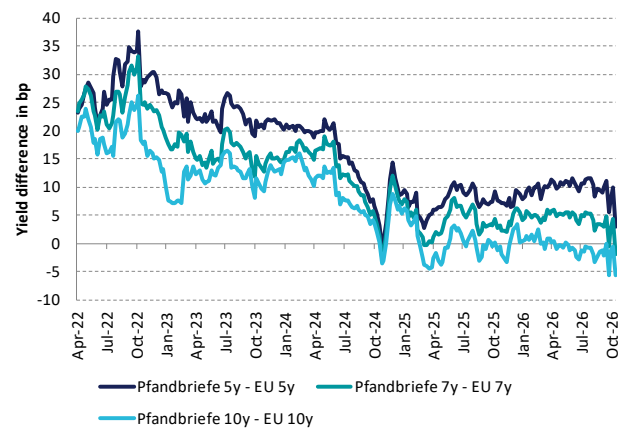
Selected yield developments (sovereigns)



Pfandbriefe vs. KfW



Pfandbriefe vs. EU



Appendix

Overview of latest Covered Bond & SSA View editions

Publication	Topics
30/2026 // 21 October	- Repayment structures on the covered bond market - Update on German municipal bonds: DEUSTD and NRWGK
29/2026 // 07 October	- The rating approach of Morningstar DBRS - The Spanish agency market – an overview
28/2026 // 30 September	- Fitch: covered bond rating approach - Teaser: Issuer Guide – German Agencies 2026
27/2026 // 16 September	- Transparency requirements §28 PfandBG - A closer look at Italian agencies
26/2026 // 09 September	- ECBC publishes annual statistics for 2025 - ECB repo collateral rules and their implications for Supras & Agencies
25/2026 // 26 August	- Solvency II and Covered Bonds - The clock is ticking for the Recovery and Resilience Facility (RRF)
24/2026 // 19 August	- Covereds: A look beyond the EUR benchmark segment - Teaser: Issuer Guide – French Agencies 2026
23/2026 // 15 July	- Moody's: rating approach - Pension obligations as a strain on German Laender finances
22/2026 // 08 July	- The covered bond universe of Moody's: an overview - Spotlight on the EU as a mega issuer
21/2026 // 01 July	- Outlook for the covered bond market in H2/2026 - SSA Hydration break – how large will the thirst be in H2/2026?
20/2026 // 24 June	- Focus on the banking sector: EBA Risk Dashboard in Q1/2026 - NGEU: Green Bond Dashboard
19/2026 // 17 June	- Central bank eligibility of covered bonds - Classification of Supranationals and Agencies under Solvency II
18/2026 // 10 June	- Triodos Bank – new issuer from the Netherlands - Auckland Council – AUCKCN in the spotlight
17/2026 // 03 June	- Focus on the relative value of covered vs government bonds - Teaser: Issuer Guide – Nordic Agencies 2026
16/2026 // 27 May	- Focus on covered bond jurisdictions: Canada in the spotlight - Stability Council convenes for 35th meeting
15/2026 // 20 May	- Covereds: Transparency requirements §28 PfandBG – Q1/2026 - Teaser: Issuer Guide – Dutch Agencies 2026
14/2026 // 13 May	- Covereds – ESG benchmark segment: limited market growth expected - Current LCR classification for our SSA coverage
13/2026 // 29 April	Cross Asset: Benchmark indices for Covered Bonds and SSA/Public issuers
12/2026 // 22 April	- Italy: Covered bond jurisdiction on the rise - New Zealand Local Government Funding Agency in the spotlights
11/2026 // 15 April	- Covereds: Which way will the market move in the months ahead? - The SSA segment in 2026 – status quo and outlook

Appendix

Publication overview

Covered Bonds:

[Issuer Guide – Covered Bonds 2026](#)

[Risk weights and LCR levels of covered bonds](#) (updated semi-annually)

[Transparency requirements §28 PfandBG Q2/2026](#) (quarterly update)

[Transparency requirements §28 PfandBG Q2/2026 Sparkassen](#) (quarterly update)

[Covered bonds as eligible collateral for central banks](#)

[EBA report on the review of the EU covered bond framework](#)

SSA/Public Issuers:

[Issuer Guide – German Laender 2026](#)

[Beyond Bundeslaender: Canadian Provinces](#)

[Beyond Bundeslaender: Belgium](#)

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

[Beyond Bundeslaender: Spanish regions](#)

[Issuer Guide – European Supranationals 2026](#)

[Issuer Guide – Non-European Supranationals \(MDBs\) 2026](#)

[Issuer Guide – German Agencies 2026](#)

[Issuer Guide – French Agencies 2026](#)

[Issuer Guide – Nordic Agencies 2026](#)

[Issuer Guide – Dutch Agencies 2026](#)

[Issuer Guide – Austrian Agencies 2025](#)

Fixed Income Specials:

[ESG-Update 2026](#)

[ECB preview: No weather for hiking](#)

Appendix

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