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Covered Bond & SSA View

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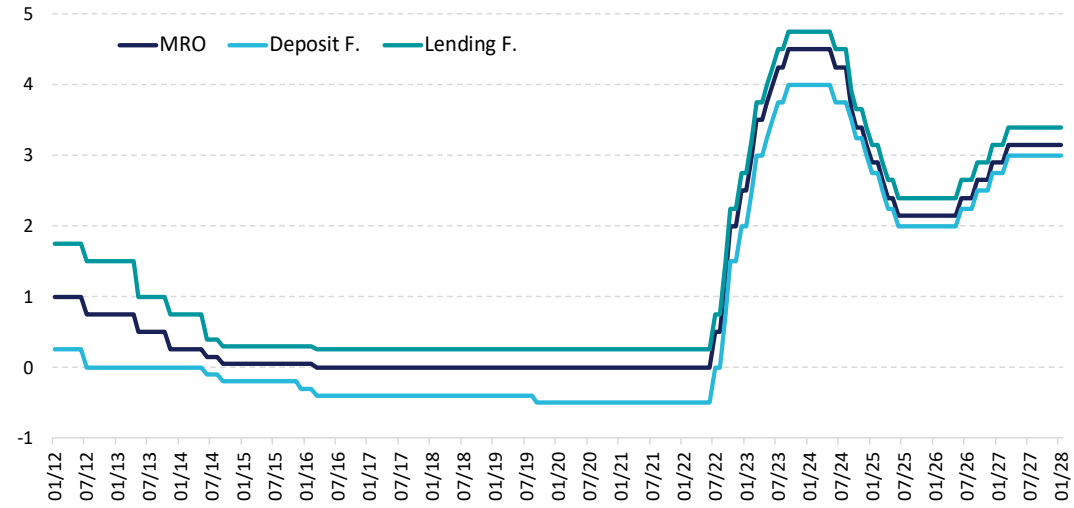
Outlook 2027
The ECB again? Plus four daring capital market suppositions

Thanks to our readers for the feedback received across 2026!

Change of course at the ECB? Frankfurt seeking new captain to steer the ship

In 2027, the ECB will continue to be a key driver of developments in our Covered Bonds and SSA/Public Issuers universe. After interest rate hikes in June and September 2026, the deposit rate stands at 2.5%; further hikes would appear to be on the cards, with a level of at least 3% now being discussed for 2027. However, this path is by no means set in stone. The central bank will continue to make data-driven decisions on a meeting-to-meeting basis. Crucially, it will depend on whether energy prices, wages and inflation expectations generate sustained price pressure or whether a weaker economy might even allow for interest rates to be cut again further down the line. Base effects will also play their part. Adding to the uncertainty is Christine Lagarde's decision to prematurely resign from her post as ECB President with effect from 07 February 2027. The Spaniard Pablo Hernández de Cos is regarded as the favourite to succeed Lagarde, while the Dutchman Klaas Knot is currently seen as more of an outsider. The market would likely associate a pragmatic, hawkish approach with Knot, while Hernández de Cos would be seen as more moderate and decidedly data-driven. As such, the decision is not merely a matter of personnel, but should also be interpreted as a signal for the medium-term interest rate path. A doubling of the non-interest-bearing reserve requirement from 1% to 2% would also be directly relevant for covered bonds. This would siphon off liquidity from the banking system, potentially entail increased refinancing costs and save the Eurosystem around EUR 4.4bn per year in interest expenses. In addition, there is the TPI as a latent sentiment risk. This instrument remains available to counteract unjustified and disorderly market movements, but it must not become a financing or hedging vehicle for fiscal aberrations in individual Member States. Technically driven spread widening cannot be ruled out any more than political interference. As a result, it is unlikely that 2027 will be a boring year from a monetary policy perspective in the asset classes we cover in this publication.

ECB key interest rates (in %; including the interest rate steps anticipated by us)



Source: ECB, Bloomberg, NORD/LB Floor Research

Four scenarios to put a bit of a dampener on the festive season

After once again focusing intensively on possible developments in the coming year and discussing potential scenarios, a brainstorming session led us to the following four (in some cases "bold") theories – to varying degrees, these can be perceived as more or less realistic and/or worrying!

1. Doing is like wanting, only more extreme – the German government will stick to its target of 400,000 newly built housing units per year
2. A centrist candidate wins the French presidential election and sets about consolidating the budget position
3. "Five is the magic number": RMBS to replace covered bonds as the preferred funding instrument in at least two EU Member States
4. The biggest yield shock for the European bond market in 2027/28 will not come from Frankfurt or Washington – will Tokyo become the new Amsterdam?

Doing is like wanting, only more extreme – 400,000 newly built housing units

Germany needs new housing because the existing stock cannot meet demand in terms of location, demographics and quality. In expanding cities and their affluent suburbs, a rising number of small households is coming into conflict with a housing stock that is unavailable in the required locations, in the necessary sizes or with the necessary levels of accessibility. The demand of around 320,000 homes per year, as calculated by the Federal Institute for Research on Building, Urban Affairs and Spatial Development (BBSR), confirms that there is a significant structural need for new housing, even below the previous political target. The Federal Government's target of 400,000 homes per year was ambitious but broadly reflected actual housing needs. In fact, between 2021 and 2025, only around 1.34 million homes were built overall, rather than the projected 2.0 million, whereby the aggregated shortfall amounts to approx. 660,000 homes. The fact that this shortfall has recently grown is seriously concerning: in 2025, only 206,586 homes were completed, representing just 51.6% of the annual target. The Federal Ministry for Housing, Urban Development and Building (BMWSB) correctly identifies the main causes as being high interest rates, the increased cost of materials, a shortage of skilled workers, the investment backlog and sluggish procedures. Moreover, neither the annual gap between targets and actual figures, nor the backlog of planning permissions, nor the transition from planning permission to completion are being proactively addressed. The figures make it clear that Germany does not have a problem with planning permissions alone; the problems extend to implementation and financial viability as well. Subsidies, simplified standards and faster procedures are only successful if projects can be financed from viable rents further down the line. Policymakers should therefore monitor permits, funding commitments, housing starts and completions across regions, building types and rent segments. This puts the core argument firmly into focus, or in a worst-case scenario, depicts it as an obstacle: new-build homes remain essential. Moreover – and this is a view we share with other commentators – this has to be more strongly focused on multi-family housing, subsidised housing and regions where demand is highest. Additions to the existing housing stock, such as adding extra floors, conversions and infill developments, can help, but not replace new-build housing. The actual aim should not be to blindly build 400,000 homes just anywhere, but rather to complete, on a long-term basis, enough affordable homes in popular locations with the right structure. To achieve this, it would be nice to see improved cooperation between the private sector and promotional banks, for example. The Berlin socialisation debate would do little to help Germany as a business location – because these planned measures do not actually result in the creation of additional housing units either.

Budget consolidation ahead? Centrist candidate wins the French presidential election

The French presidential election could mark a turning point for European capital markets. If a centrist candidate wins, the risk of a radical change of course in relation to economic, fiscal or European policy will initially decrease. French government bonds are likely to catch up with Bunds, while banks and other domestically exposed securities could benefit from the easing of political uncertainty. However, the (not entirely implausible) election victory on its own would not be sufficient for a sustained revaluation. High deficits and rising public debt in France, alongside the sprawling public and social sectors, limit the monetary policy options available. It is therefore crucial that whoever ends up leading the new French government should present a credible, multi-year consolidation plan and get this through parliament. The plan must include specific spending priorities, realistic growth assumptions and verifiable interim targets, because over the long-term non-binding austerity proclamations or optimistic budget forecasts are unlikely to convince the markets. We are aware of the two-tier nature of our scenario: The political risk premium is the first to fall, followed by the fiscal. The election result could unleash an initial wave of relief. A robust consolidation course would fundamentally underpin this, as it would improve expectations regarding the deficit, debt level and government financing requirements. The crucial uncertainty revolves around the question as whether all this is politically feasible. Victory in the presidential election by no means guarantees a stable, working majority in the National Assembly. A fragmented party landscape, shifting majorities or public opposition to pension cuts, reduced social spending and public sector job losses could put a spanner in the works of budget consolidation efforts. Therefore, an election victory opens the door to fiscal consolidation but does not render this a fait accompli. Tempo is another crucial factor here. Abrupt or predominantly tax-based consolidation could stifle growth and investment, thereby negating some of the deficit improvement. A multi-year plan, primarily centred on spending cuts, which limits consumer spending while at the same time protecting investments in infrastructure, energy, defence and digitalisation, would be a more persuasive and credible approach. For the capital market, the credibility and consistency of the overall course counts for more than the size of a single austerity package.

RMBS threaten to displace covered bonds as preferred funding instrument in some cases

Those of us who are a bit longer in the tooth will surely recall the time when Deutsche Bundespost, introduced the five-digit postcode in 1993, advertised by the iconic yellow cartoon hand Rolf with the slogan “Fünf ist Trümpf” – or something along the lines of “Five is the magic number” in English. More than three decades later, the number five could once again herald a systemic shift, this time in the European capital market. The reform of the European securitisation framework stipulates a minimum risk weight of 5% for certain low-risk securitisation positions. As such, more risk-sensitive capital requirements and simplified reporting obligations give RMBS a regulatory edge over covered bonds. The latter were regularly the preference for European banks, with RMBS constituting a more complex alternative. Now, however, the tide is beginning to turn in this relationship. While covered bonds primarily offer an affordable funding route, RMBS combine refinancing, risk transfer and capital relief. For banks with a growing mortgage business, tight capital ratios or a limited deposit base, this added benefit can actually outweigh the higher transaction costs. This shift is most likely to occur in markets with established securitisation platforms, standardised mortgage portfolios and a broad investor base, with our thoughts in this respect heading straight towards the Netherlands and Ireland, for example. Covered bonds will therefore not lose their importance, but they will forfeit their regulatory primacy. So, all in all, our old cartoon friend Rolf might be right again: the power of five definitely has the ability to drive systemic change, provided that the reform is implemented as agreed.

Yield shock on the cards: Tokyo set to become the new Amsterdam?

Pension reform in the Netherlands has shown how regulatory changes can lead to shifts in demand for duration. With the transition from guaranteed benefit plans to more defined contribution arrangements, the hedging needs of pension funds at the ultra long end have fallen, or as the case may be, are falling. De Nederlandsche Bank put the potential reduction in government bonds and interest rate swaps with maturities of 25 years plus at an estimated EUR 100-150bn. However, the next and potentially larger impetus could come from Japan. Following the end of negative interest rate policies and yield curve control by the Bank of Japan, Japanese Government Bonds (JGBs) once again represent a serious investment alternative for the first time in decades. At the same time, the market-value-based solvency regime, which first entered force April 2025, is changing the behaviour of Japanese life insurance firms: interest rate movements at the long end now directly impact their balance sheets, while higher JGB yields ensure that building up domestic duration has become more attractive again. Japanese life insurance companies oversee more than USD 2,000bn in assets under management and rank among the largest global bond investors worldwide. Added to this is the political will for repatriation. The Japanese government is keen to encourage state pension funds, including the Government Pension Investment Fund, which is worth around USD 1,800bn, to increase their domestic investments. According to relevant estimates, simply reallocating assets within the existing investment bands could divert around USD 80bn from foreign bonds into JGBs. A complete change of strategy would not be necessary for this. It would simply suffice to increasingly refrain from reinvesting the proceeds from maturing European and US bonds. This is precisely where the risk for the European bond market lies. Rising JGB yields are directly competing for Japanese capital against German Bunds, French OATs and other long-dated EUR-denominated bonds. At the same time, Dutch pension funds – which have traditionally been buyers of ultra-long dated bonds – are withdrawing, as their portfolio reallocations will still not be complete by 2027. In the event that weaker domestic demand coincides with a lack of Japanese reinvestment, the term premium at the European long end will rise. Tokyo will not literally become the new Amsterdam, although the mechanisms are mirror images of each other: Dutch funds are reducing duration due to changed obligations; Japanese investors are returning to the JGB market because of higher domestic yields and political incentives. For Europe, however, the effect is similar: a structural buyer of duration is in part falling by the wayside, albeit this is likely to be a gradual process rather than an abrupt one. Neither the Government Pension Investment Fund nor Japanese insurance groups have to actively sell off European bonds on a large scale. Even a change in the reinvestment of maturing bonds could have a significant impact in 2027 and 2028. Therefore, it is not only the next steps implemented by the Federal Reserve or the European Central Bank that matter, but also the relative attractiveness of JGBs and the strategic asset allocation of Japanese institutional investors. In any case, Tokyo is apparently worth a visit – so we will be sure to take a closer look.

Conclusion and outlook

Holy moly… that's one fine mess, wouldn't you say? At least the introduction to today's edition of our weekly publication should provide our readers with plenty of food for thought as we head into 2027.

Covered Bonds
Market overview

Authors: Elias Degener // Lukas Kühne // Dr Norman Rudschuck, CIIA

Primary market: hibernation can wait!

While temperatures outside have started to plummet and some inhabitants of our forests and meadows are now seeking a warm retreat from which to see out the winter, there are currently no imminent signs of the primary market slipping into hibernation mode. In fact, EUR benchmark segment players are using the issuance window that remains open to realise postponed or unresolved funding projects. Over the past five trading days, four banks were active in placing fresh supply with their investors. Last Thursday (19 November), Coöperatieve Rabobank brought the largest deal since the beginning of October to the market. The Dutch issuer was seeking to raise EUR 1.5bn in a deal that featured a reoffer spread of ms +10bp. Despite the volume only being determined during the marketing phase, the bid-to-cover ratio came in at a solid 1.5x, allowing the 3y covered bond to be priced 6bp inside initial guidance. At the start of the new week, three institutions launched new bonds on Monday (23 November). These deals also reflected the currently prevailing preference for short and intermediate maturities. While the Dutch asset manager Van Lanschot Kempen opted for the shorter end of the spectrum (EUR 500m; 3.5y), Stadshypotek from Sweden was active in the medium maturity range (EUR 1.0bn; 5.0y). Completing this trio was Italy's Banco BPM, which raised EUR 500m in a 4y maturity. All three deals generated well-filled order books, with oversubscription ratios of between 1.9x and 3.0x recorded here. With an aggregated issuance volume of EUR 10.3bn, November 2026 is the strongest November since 2023 (EUR 11.0bn). With bid-to-cover ratios still at more than adequate levels, there are no signs to suggest that the current issuance rally will come to an abrupt end at present. Nevertheless, we expect that the majority of deals planned for this year will be limited to the next few days, whereby the prospect of primary market activities extending into December is only realistic for a handful of issuers with refinancing needs. By this point, just like in the forests and meadows up and down the country, the financial markets should also be entering a well-deserved period of winter rest.

Issuer	Country	Timing	ISIN	Maturity	Size	Spread	Rating	ESG
Banco BPM	IT	23.11.	IT0005786303	4.0y	0.50bn	ms +39bp	- / Aa2 / -	-
Van Lanschot Kempen	NL	23.11.	XS3582527290	3.5y	0.50bn	ms +23bp	- / - / AAA	-
Stadshypotek	SE	23.11.	XS3521691371	5.0y	1.00bn	ms +24bp	- / Aaa / -	-
Cooperatieve Rabobank	NL	19.11.	XS3578939681	3.0y	1.50bn	ms +10bp	- / Aaa / -	X

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

Secondary market: French covered bonds remain in demand

In the secondary market, supply and demand were largely balanced. French covered bonds were in demand at both the short and long end. Generally speaking, bids appeared to be slightly more constructive. At the same time, dealers continued to use the improved demand to actively reduce inventory, which limited the potential for spread tightening for the time being.

Banca Sella issues third Italian EUR sub-benchmark in the current year

A third Italian issuer has entered the EUR sub-benchmark market this year in the shape of Banca Sella. With a total of three deals, Italian issuers have therefore set a new record in this sub-market. The total volume issued from Italy now amounts to EUR 1.0bn in the current year, which puts Italy in third place behind Germany (EUR 2.25bn) and Austria (EUR 1.65bn). For Banca Sella, which operates primarily in the Piedmont region and remains largely under the ownership of the eponymous founding family, this transaction marked its second market foray into the EUR sub-benchmark segment, following its inaugural deal in 2024. As in its inaugural transaction, the bank opted for an issue volume of EUR 400m. In the most recent transaction from last Thursday (19 November), Banca Sella selected a maturity of 4.2y. After the order book peaked at EUR 650m during the marketing phase, the reoffer spread was set at ms +43bp, which was 4bp below the initial guidance. Subsequently, the order book fell back to EUR 400m, resulting in a final book equal to the issue size and thus no oversubscription. This pronounced spread sensitivity illustrates once again the value that investors are placing on attractive price points and high issuer quality in the current market phase, while less liquid transactions offer only limited scope amid ambitious pricing.

ECB targets doubling of minimum reserve

The ECB Governing Council is expected to discuss a possible increase in the minimum reserve for credit institutions from the current level of 1% to 2% at its (internal) meeting scheduled for today (25 November), although it is possible that no final decision will be reached until the monetary policy meeting on 17 December. According to agency reports, a majority in favour of an increase has now apparently formed within the Governing Council. This is due, in particular, to the high interest expenses incurred by the Eurosystem as a result of the continuing high levels of excess liquidity in the banking system. While minimum reserves are held with the Eurosystem on an interest-free basis, reserves in excess of this amount are, in principle, remunerated at the deposit facility rate. With a current deposit rate of 2.50% and excess liquidity of over EUR 2,000bn, this results in annualised interest expenses of more than EUR 50bn. Doubling the minimum reserve requirement to 2% would increase the share of reserve-bearing liabilities that credit institutions must hold interest-free with the Eurosystem. Calculations suggest that this move could help to cut the Eurosystem's interest expenses by more than EUR 4bn per year, assuming that interest rates remain at the same level. At the same time, this step would tie up an additional portion of the still substantial excess liquidity in non-interest-bearing minimum reserve balances. The financial burden is particularly clear from the example of the Deutsche Bundesbank. In 2025, the German central bank recorded an annual loss of EUR 8.6bn, which came on the back of an even more eye-catching loss of EUR 19.2bn in 2024. This is primarily due to maturity mismatches and the interest rate discrepancies between the predominantly low, or in some cases negative, yields on securities portfolios linked to previous asset purchase programmes and the higher yields of deposits from credit institutions. A change to the minimum reserve requirement can only be implemented through a resolution adopted by the ECB Governing Council. This was previously discussed at the end of 2023, but until now there has never been the level of support required for a move of this kind. However, the Governing Council's stance now appears to have shifted. Besides the final decision itself, the timing of a possible implementation as well as the impact on banks' liquidity management and net interest income remain unclear. However, in view of the continued high level of excess liquidity, the effects on lending capacity are likely to be kept in check.

Canadian regulator planning to significantly increase scope for covered bond issues

The Office of the Superintendent of Financial Institutions (OSFI), as the Canadian banking regulator is known, has drawn up plans to significantly raise the issuance limits for the institutions that fall under its jurisdiction. At present, a maximum of 5.5% of total balance sheet assets may be used as collateral for covered bond issuances. This limit is now set to be expanded and differentiated according to the size of the issuing institution. For all Domestic Systemically Important Banks (D-SIBs), the OSFI plans to increase the limit to 7%, while for small and medium-sized banks (SMSBs), the regulator intends to increase the quota to 15%, although in this case it will only apply to domestic balance sheet assets. The aim is to reflect the more domestically focused business models of smaller financial institutions while ensuring that they benefit from improved access to the comparatively low-cost funding provided by covered bonds. The OSFI emphasises that this expanded issuance scope should remain deliberately limited so that, in the event of a crisis, a sufficient stock of unencumbered assets is available for the institution's other creditors. Looking at the covered bond markets, the new regulations could potentially act as a catalyst for higher issuance volumes in the future, whereby the supply base of smaller issuers in particular could be extended. However, the actual level of additional issuance activities is likely to depend on the respective refinancing needs, the availability of suitable cover assets and the relative funding costs compared with unsecured instruments. Following the consultation period for the draft, which runs until 18 January 2027, the OSFI plans to publish the final guideline in May of next year and implement it immediately thereafter.

Australia: Moody's expects more mortgage loans with negative equity

With property prices continuing to decline in Australia, the rating experts at Moody's are anticipating that an increasing proportion of mortgage loans will fall into negative equity. However, the resulting credit risks for RMBS and covered bonds will remain manageable, according to the rating agency, as most borrowers still have comfortable equity buffers. From April to October of this year, property prices Down Under dropped by -8.1% overall. In the published study, interest rate hikes implemented by the Australian central bank as well as lower tax breaks for property investors are cited as the key stress factors influencing this development. As at 31 May 2026, only 0.39% of the loans in the mortgage portfolios analysed by Moody's were in a negative equity position (i.e. the outstanding loan amount exceeds the current market value of the property in question). A further decline in property prices of -10% compared with the end of May would increase this share to approximately 1.5%, while a decline of -15% would see this rise as high as 4.6%. Despite this significant increase, only a minority of the mortgage loans examined would still be affected. Recent first-time buyers are particularly exposed, as are borrowers with initially high loan-to-value ratios (LTVs) of 80%-95%. Nevertheless, the rating agency takes the view that the risks for Australian covered bonds remain limited. The substantial rise in property prices of +63% since 2020, lower current LTVs and comparatively conservative lending standards continue to provide substantial equity buffers for the mortgage loans included in Australian cover pools.

SSA/Public Issuers
Market overview

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European Commission plans further Ukraine aid of EUR 45bn

During a press conference with European Commissioners Valdis Dombrovskis (responsible for Economy and Productivity) and Andrius Kubilius (Defence and Space), Ursula von der Leyen, President of the European Commission, outlined plans to support Ukraine with an additional loan totalling EUR 45bn in 2027. Of this, EUR 25bn is earmarked for military assistance, while the other EUR 20bn is to be used as general budget support and to help to address Ukraine's estimated financing gap of EUR 70bn in the coming year. The remaining EUR 25bn of Ukraine's 2027 shortfall is to come from partners outside the European Union who are part of the "Coalition of the Willing". The proposals will now be submitted to the European Parliament and the Council for consideration and adoption. The loan is to be subject to what is known as "limited possibility of recourse". Accordingly, Ukraine would only have to pay back the loan once it had received reparations from Russia. Like the existing EUR 90bn loan for 2026 and 2027, the new loan is also to be guaranteed by the EU budget and funded through EU bonds issued on the capital markets. Consequently, this may well have an upward impact on the EU's funding activities next year. To recap: in its investor presentation, the EU announced in October that it had an average annual funding requirement of EUR 130bn until the end of the decade. However, the plans did not meet with the approval of all EU Member States: for example, Slovakia, Czechia, Hungary and Bulgaria have ruled out participating in the aid package for Ukraine – as was the case with the existing support loan.

Saarland: State Parliament declares (another) extraordinary emergency situation

Last week, the Saarland State Parliament, with the votes of the CDU and the SPD, once again declared an "extraordinary emergency situation", which is beyond the sub-sovereign's control and will substantially affect its financial position. By implication, this means that Saarland (ticker: SAARLD) will still be able to draw on loans from the Transformation Fund in 2027 and therefore raise more capital than is actually permitted under the debt brake. The reason for the extraordinary emergency situation is the sharp rise in energy prices due to Russia's war of aggression against Ukraine, from which Saarland's economy is still suffering. Under these circumstances, the investments initiated to transform Saarland's economy cannot come from its regular budget and therefore further funds are required from the Transformation Fund totalling EUR 3bn, which is largely financed from debt. The background to this is that raising emergency loans in connection with the Transformation Fund will be subject to annual emergency resolutions by the State Parliament until the end of the planned term of the fund, and therefore at least up to and including 2027. What happens next, and whether the term of the Transformation Fund might even be extended, is likely to depend on the results of the regional election in April 2027.

SFIL: capital requirements in 2027

The ECB has confirmed the capital requirements for 2027 for the French municipal and export financier Société de Financement Local (SFIL; ticker: SFILFR) as part of its annual Supervisory Review and Evaluation Process (SREP). From 01 January next year, the agency will therefore be subject to an SREP capital requirement of 12.7%. This consists of the minimum requirements for Pillar I (11.5%) and the additional capital requirements of Pillar II (1.2%). Under European banking supervision regulations, credit institutions must maintain additional capital buffers for various purposes (for general capital conservation and to safeguard against cyclical and non-cyclical systemic risks). For SFIL, the corresponding capital conservation buffer (CCoB) is 2.5%. In addition, the French central bank has introduced a countercyclical capital buffer (CCyB) for domestic lending of 1%. The ECB's most urgent supervisory priorities for the years 2027-2029 include strengthening the banking system's financial resilience to geopolitical and macropolitical risks and increasing operational resilience and ICT capacity. The main focus of the first priority will be on prudent lending standards and risk-based pricing of loans. Furthermore, the authorities will address potential weaknesses in banks that hold significant exposures to Non-Bank Financial Institutions (NBFIs), including fund financing. Regarding the second priority, the supervisory authorities will primarily evaluate how banks respond to AI-driven cyber threats.

RHIPAL: draft budget for 2027/28 approved

Last week, the Council of Ministers of the federal state of Rhineland-Palatinate (ticker: RHIPAL) approved the government's draft for the 2027/28 double budget. A particular focus of the budget will be to provide relief to towns and local authorities. Under the municipal financial equalisation system, EUR 4.9bn (2027) and EUR 5.0bn are budgeted for the next two years. Compared with 2026, this represents additional expenditure of EUR 850m and EUR 950m respectively. According to the federal state, total budgetary transfers to local authorities will therefore rise for the first time to around EUR 10bn per year. The budget provides for total adjusted revenues of EUR 26.0bn for 2027 and EUR 26.8bn for 2028. Adjusted expenditures, however, are expected to amount to EUR 27.5bn and EUR 28.9bn respectively. Ultimately, there will be a funding shortfall in both years, which is to be covered by borrowing permitted under the revised debt brake framework and transfers from reserves. Net borrowing on the capital markets will therefore be in the order of EUR 1.3bn in 2027 and EUR 1.6bn in 2028. RHIPAL's maturities over the next two years amount to EUR 5.0bn and EUR 5.7bn respectively. In 2026, the federal state raised EUR 2.85bn through syndicated EUR benchmark bonds (four ISINs; all 2y terms). We assume that RHIPAL will also make several appearances on the SSA primary market in the coming year in view of its growing funding requirements.

Primary market

Even though the festive period is just around the corner, with activities likely to soon shift increasingly in the direction of the Christmas markets, the tempo in the SSA primary market remained comparatively high during the past trading week considered in this section. New Zealand's Auckland Council (ticker: AUCKCN) kicked things off with its second EUR benchmark transaction this year. The issue size (EUR 500m) of the 6y green bond was set upon announcing the mandate. The deal was ultimately priced at a reoffer spread of ms +36bp (IPT: ms +40bp area). Given that the order book totalled EUR 2.4bn, the deal therefore generated an oversubscription ratio just shy of 5.0x. Bonds issued by Auckland Council are regularly issued as secured bonds, as they are secured by a first-ranking lien on all property rates and the revenue derived therefrom. At the start of this week, the federal state of Rhineland-Palatinate (ticker: RHIPAL) then ventured onto the trading floor with a new state treasury note (LSA). The sub-sovereign's fourth benchmark of the year, worth EUR 600m and with a 2y maturity, was priced at ms -4bp in line with the guidance. The issuer retained a sum of EUR 200m in this deal. Yesterday, Tuesday, the federal state of Brandenburg (ticker: BRABUR) also seized the opportunity to raise a fresh EUR 750m through a state treasury note with a term of just under 10y. In the end, the bond was priced at ms +28bp in line with the guidance (order book: EUR 1.1bn). This brings the total volume of new EUR benchmark issues placed by the German Laender to EUR 50.3bn since the start of the year. Moreover, the European Union (ticker: EU) was active on the market at the start of the week as part of its fourth, and therefore penultimate, bond auction for H2/2026. In so doing, it increased the size of three bonds once again: the volume of the 2030 bond was increased by EUR 2.1bn, while the tap volume of the green 2033 bond amounted to EUR 1.7bn and the 2042 bond was increased by EUR 1.3bn. The oversubscription rates came to 1.2x for the first two bonds and 1.4x for the 2042 bond. In line with the falling outdoor temperatures, activities on the primary market are likely to increasingly cool off as well. Consequently, we have no pending new mandates to report in our segment. However, KfW (Kreditanstalt für Wiederaufbau, ticker: KFW) has issued invitations to its Global Investor Call on 08 December. We expect Germany's largest promotional bank to communicate a funding target of EUR 85-90bn for 2027.

Issuer	Jurisdiction	Timing	ISIN	Maturity	Size	Spread	Rating	ESG
BRABUR	DE	24.11.	DE000A4DFC99	9.4y	0.75bn	ms +28bp	- / Aaa / -	-
RHIPAL	DE	23.11.	DE000RLP1718	2.0y	0.60bn	ms -4bp	AAA / - / -	-
AUCKCN	Other	19.11.	XS3567713030	6.0y	0.50bn	ms +36bp	- / Aa2 / AA	X

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

Covered Bonds
The covered bond year 2027: What lies ahead?

Authors: Elias Degener // Lukas Kühne // Dr Norman Rudschuck, CIIA

The covered bond market in 2027 – all signs point to a busy start to the year

Despite the continuing lively issuance activity on the covered bond market, the year is inexorably drawing to a close. Accordingly, in today's edition of our weekly publication, we would like to provide an outlook on possible developments in the covered bond market in 2027. In addition to our supply forecast, our spread outlook and our analysis of maturities and the demand side form the central aspects of our outlook for the coming year. The start of the year in particular is likely to be interesting, as this is traditionally the time when the market takes stock of investor demand, the spread level (at which new issues can be placed successfully) and any potential new issue premiums. We are expecting a very busy start to the year, which is likely to be shaped by strong new issuance activity and high investor demand. Particularly the first deals of the new year are likely to have a higher new issue premium due to the increased uncertainty about spread levels following several weeks without any new issues. Nevertheless, there are still a few trading weeks left in 2026, in which we can expect to see sporadic primary market transactions. Potential pre-funding activities are likely to remain limited, in our opinion, despite the market environment currently seeming somewhat more favourable once again.

What else is going to happen before the end of the year?

Especially in the last two weeks, a number of issuers have used the open issuance window to successfully place covered bonds on the market. A few weeks ago, the general risk-off sentiment on global bond markets had not yet indicated a resurgence in new issue activities. In October, for example, EUR benchmarks with a volume of just EUR 8.3bn were issued. The last time we saw a more sedate October was back in 2020 (EUR 7.6bn). In particular, the unresolved debt crisis in France and the expectation of higher energy prices in the long term led to an increase in prices on the secondary market and limited new issuance activity on the primary market. Accordingly, in our view, the recently placed EUR benchmarks are due more to withheld issues in a more challenging market environment than to the pre-funding activities of individual issuers. Despite the more positive sentiment at present, we are not expecting many issuers to come to the market in December either. Rather, we anticipate a smooth transition to the traditionally low-issuance festive season. Nonetheless, the successfully placed deals in recent weeks have demonstrated that covered bonds remain an attractive option for investors at the current spread levels. We also see this as a positive sign looking ahead to the start of 2027, as we currently only expect a slight increase in spreads between now and the end of the year. Average new issue premiums have also risen significantly in recent weeks due to the heightened uncertainty. Especially for the first new issues of the coming year, we expect that issuers will continue to have to pay a certain premium over fair value for their new issues.

Primary market in 2027: high volume of new issues with low net supply

Before we look in detail at anticipated spread developments, we would first like to present our net new supply forecast. We expect the EUR benchmark segment to grow slightly in 2027. Accordingly, maturities in excess of EUR 180.1bn should be offset by newly placed deals of around EUR 192bn (excluding taps and floaters). As such, net new supply would come to around EUR 11bn and would therefore be well below the previous year's level (2026 YTD: EUR 27.3bn). The jurisdictions of France (EUR 35.0bn), Germany (EUR 33.5bn) and Canada (EUR 18.5bn) are once again expected to account for the majority of the issuance activity in the coming year. Based on our bottom-up approach, the "growth candidates" in 2027 will include the Netherlands and many smaller covered bond jurisdictions, in particular from the CEE region. Given the high level of maturities combined with significant flexibility in the choice of currency for its covered bond issues, we believe that the Canadian EUR benchmark segment is likely to shrink next year (net supply: EUR -4.3bn). Nevertheless, the volume of issues from Canada should still total a significant EUR 18.5bn. At the same time, we can well imagine that a number of new issuers could once again extend the EUR benchmark segment in 2027. In particular, these could potentially include issuers from Germany, Greece or Luxembourg, for example.

NORD/LB forecast for 2027: Issues and maturities by jurisdiction

Jurisdiction	Outstanding volume as at 24 November 2026 (EURbn)	Issued 2026 ytd as at 24 November 2026 (EURbn)	Maturities 2027e	Issues 2027e	Net Supply 2027e (EURbn)
AT	60.2	7.0	9.8	9.7	-0.1
AU	36.5	6.3	7.2	7.0	-0.2
BE	25.0	5.5	4.7	5.0	0.3
CA	76.3	18.0	22.8	18.5	-4.3
CH	7.5	1.5	1.0	2.0	1.0
CZ	6.0	3.3	0.5	3.3	2.8
DE	222.1	33.4	37.3	33.5	-3.8
DK	8.0	2.0	1.0	2.0	1.0
EE	1.5	0.5	0.5	0.5	0.0
ES	47.6	9.5	11.3	9.3	-2.1
FI	42.2	6.3	7.4	4.8	-2.7
FR	281.6	25.5	35.6	35.0	-0.6
GB	30.2	5.8	4.5	6.3	1.8
GR	0.0	0.0	0.0	0.5	0.5
HU	3.5	2.3	0.0	2.3	2.3
IE	0.0	0.0	0.0	0.0	0.0
IL	0.0	2.0	0.0	1.0	1.0
IS	0.0	0.0	0.0	-0.3	-0.3
IT	48.1	8.5	7.0	8.8	1.8
JP	4.2	0.9	0.9	1.0	0.2
KR	10.6	3.5	2.8	3.0	0.3
LU	0.9	0.5	0.4	0.5	0.1
NL	93.3	13.3	7.2	12.0	4.9
NO	52.3	8.5	6.3	8.8	2.5
NZ	10.5	3.0	1.5	2.0	0.5
PL	1.0	0.5	0.0	1.0	1.0
PT	9.0	2.5	1.5	2.5	1.0
SE	26.2	3.5	5.0	5.0	0.0
SG	12.9	4.0	2.5	3.0	0.5
SK	12.1	3.9	2.0	4.0	2.0
∑	**1128.9**	**181.0**	**180.4**	**191.6**	**11.2**

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

Wider trends affecting fresh supply in 2027

As usual, a number of assumptions are involved when making our supply forecast. This applies both with regard to the actual funding requirement and in relation to the funding mix. In this context, trends in lending and property prices play a particularly significant role for mortgage-backed covered bonds. The sharp increase in interest rates for property financing is likely to have a negative effect on the demand for credit and property prices in the Eurozone, which is likely to limit additional funding requirements, particularly in the major covered bond jurisdictions of Germany and France. Residential property prices based on the vdp Property Price Index recorded their first fall for almost three years in Germany in Q3/2026, while prices for commercial property in Germany have actually declined for the third quarter in a row. Demand for credit in the Eurozone was also down in Q2/2026; at the same time, market participants are not expecting a recovery even in the medium term. In contrast, we expect banks' refinancing needs to increase, supported by more robust economic momentum, particularly in the CEE region. This is likely to provide further support for the growth of covered bond markets in these countries. In addition, it will be interesting to see whether some issuers give greater priority to choosing between unsecured and secured funding. In France, in particular, we will be interested to see whether issuers will turn more to covered bonds in light of the spread widening. We forecast that the volume of new covered bond issues from France will increase versus the previous year, although, in our opinion, this will not result in a significant reduction in senior issues. In recent weeks, a number of French issuers who are active in both asset classes have brought new senior bonds to market and have been able to place them successfully with investors. Overall, we are not expecting a significant shift in the prioritisation of asset classes used for refinancing by the majority of issuers operating in the EUR benchmark or sub-benchmark segments.

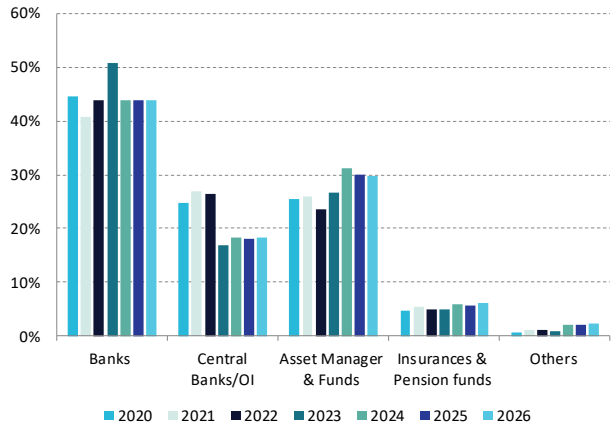
Forecast risks: choice of currency and the issue of France are key

Our expectations with regard to primary market activities are also subject to a certain forecast risk in 2027. For jurisdictions outside the Eurozone – i.e. Canada, APAC, the Nordics and the UK, in particular – this arises from the choice of issuance currency, for example. In our baseline scenario, the euro remains a very important funding currency for the majority of issuers. In view of the very high levels of maturities in some cases in certain jurisdictions within the Eurozone, we can imagine that a few issuers from core Europe might increasingly consider currencies outside of the euro for their new issuance activities in 2027. The composition of funding by refinancing instrument also poses a forecasting risk, as it may vary significantly from jurisdiction to jurisdiction and is largely determined by the respective refinancing costs and regulatory parameters. Especially at the beginning of 2027, the covered bond-specific forecasting risks are likely to be overshadowed by the unresolved debt crisis in France and the prevailing political instability. Given that French issuers were last active in the EUR benchmark segment at the beginning of September, we do not expect them to remain on the sidelines in the first few months of the year. Nevertheless, the presidential election in France is likely to be one of the most important events of the year for the bond markets and will also have implications for the French covered bond market.

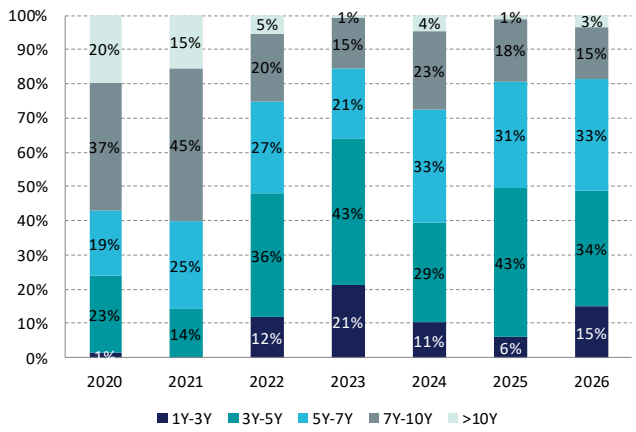
No return in sight for the long end

The trend over recent years does not really suggest a return to long-term maturities in the covered bond market. With a share of around 18%, only a comparatively small proportion of the volume of new issues can be attributed to bonds with initial residual maturities of ≥7y. We are not expecting a trend reversal when it comes to the covered bond year 2027. In particular, the much flatter yield curve compared to the previous year does not currently suggest that there is strong demand for long-dated bonds. The yield curve is largely shaped by the ECB's monetary policy decisions and the expectations of market participants. Currently, these are pricing in at least two further interest rate hikes by the ECB, one in December 2026 and another in Q1/2027. For long-dated covered bonds to become more attractive again, either the short end of the yield curve would need to fall significantly – for example due to expectations of interest rate cuts by the ECB – or the long end would need to widen significantly. At present, neither scenario seems realistic to us. Accordingly, the focus on medium and short-term maturities is likely to remain in place across 2027.

EUR BMK: investor breakdown by type



EUR BMK: issue share by maturity segment



Source: Market data, NORD/LB Floor Research

Is there sufficient demand available?

Given that we are expecting new issues with a volume of more than EUR 190bn in the coming year, we inevitably have to ask whether there will be sufficient demand for the new supply. At the same time, new investors will have to be found for the maturities exceeding EUR 37bn currently held on the ECB's balance sheet, which are set to fall due in 2027. Despite the high volume of new supply, we are confident that demand will be sufficient to absorb it. However, the spread level and the relative value compared with other asset classes will be crucial for generating sufficient investor demand. At present, we think this is a given for covered bonds and do not expect it to change significantly by January. From a maturity perspective, the sweet spot for investors is likely to be in the range of three to a maximum of seven years. In our opinion, this can also be explained by the steepness of the spread curve. Nevertheless, there are some real-money investors who continue to regard the long end (≥10y) as quite attractive. We put this down to the long-term investment needs of these investors and the current high absolute levels of returns. Consequently, there is likely to be sufficient demand across all maturity bands, even though investors might tend to focus more on the shorter end.

NORD/LB view on spread developments: stable trend expected in 2027

We expect spreads for EUR benchmarks to widen slightly at the beginning of the year. This development will be driven – as in previous years –by the high issuance volume due to seasonal factors in particular. We expect the new issue premiums to be quite substantial, especially for the very first deals of the new year. The premium over fair value is likely to lead to modest repricing in the covered bond market and cause spread levels to widen across all maturity bands. As pressure from the new supply eases, we expect spreads to narrow slightly towards the end of the first quarter, meaning that covered bonds are likely to be trading at a similar level by the middle of the year to what they were at the end of the year. In addition to the influencing factors otherwise discussed as part of our spread forecast (I. technical market considerations, II. fundamental data), the strained fiscal and political situation in some EU Member States should be cited as a key determining variable for spread change in 2027. French covered bonds in particular will remain under pressure at least until the presidential election in April 2027. Accordingly, even given the significant rise in spreads on French covered bonds, we see little potential for significant spread tightening. Furthermore, in our opinion, the downside scenarios take precedence at the moment, as it remains entirely unclear as to what sort of government will occupy the Élysée Palace in the summer of 2027 and whether its focus will be on fiscal consolidation measures. Currently the debate about debt sustainability is largely confined to France, but this does not mean it has to stay that way. As the recent examples of Belgium and Germany have shown, approving a viable budget can prove quite a significant hurdle for some governments. Accordingly, we cannot rule out that, starting with France, the debt sustainability of other European jurisdictions will also come under scrutiny. This would then undoubtedly be reflected in the spreads on covered bonds issued by the respective country widening significantly. At present, such a scenario is not yet foreseeable and largely depends on the uncertain election results in the coming year. Nevertheless, the situation in France and potential "contagion effects" pose the greatest forecast risk.

NORD/LB spread forecast

Current levels

in bp	3y	5y	7y	10y
AT	18.0	29.5	36.6	41.1
AU	21.6	33.5	37.4	37.8
BE	19.4	28.6	37.5	43.1
CA	18.3	28.0	36.0	40.5
CZ	27.5	31.7	30.6	
DE	13.0	20.3	25.6	34.1
DK	18.7	25.4	28.7	32.1
EE	30.1			
ES_Single	21.6	28.7	35.7	39.1
FI	16.8	24.7	29.3	31.9
FR	30.6	44.8	59.2	71.4
GB	24.9	32.5	36.7	41.1
IS	24.0	28.5	38.2	49.5
IT	28.5	38.2	49.5	59.9
JP	29.8	32.3		
KR	25.8	29.5		
LU		30.1	30.1	
NL	17.0	22.8	27.2	34.3
NO	14.3	23.2	30.1	33.8
NZ	18.1	27.1		
PL	26.0	30.3		
PT	21.0	30.2	34.4	
SE	11.7	20.2	23.1	
SG	20.4	25.9		

as of 30/06/2027(e)

in bp	3y	5y	7y	10y
AT	19	30	37	42
AU	23	34	38	39
BE	20	29	38	44
CA	19	29	36	41
CZ	29	32	31	
DE	14	21	26	35
DK	20	26	29	33
EE	31			
ES_Single	23	29	36	40
FI	18	25	30	33
FR	32	45	60	72
GB	26	33	37	42
IS	25	29	39	50
IT	29	39	50	61
JP	31	33		
KR	27	30		
LU		31	30	
NL	18	24	28	35
NO	15	24	31	35
NZ	19	28		
PL	27	31		
PT	22	31	35	
SE	13	21	23	
SG	21	27		

Expected spread change

in bp	3y	5y	7y	10y
AT	1.0	0.5	0.4	0.9
AU	1.4	0.5	0.6	1.2
BE	0.6	0.4	0.5	0.9
CA	0.7	1.0	0.0	0.5
CZ	1.5	0.3	0.4	
DE	1.0	0.7	0.4	0.9
DK	1.3	0.6	0.3	0.9
EE	0.9			
ES_Single	1.4	0.3	0.3	0.9
FI	1.2	0.3	0.7	1.1
FR	1.4	0.2	0.8	0.6
GB	1.1	0.5	0.3	0.9
IS	1.0	0.5	0.8	0.5
IT	0.5	0.8	0.5	1.1
JP	1.2	0.7		
KR	1.2	0.5		
LU		0.9	-0.1	
NL	1.0	1.2	0.8	0.7
NO	0.7	0.8	0.9	1.2
NZ	0.9	0.9		
PL	1.0	0.7		
PT	1.0	0.8	0.6	
SE	1.3	0.8	-0.1	
SG	0.6	1.1		

Source: Bloomberg, NORD/LB Floor Research

ESG in 2027: issuance volume likely to remain at a high level

In 2027, the sub-market for sustainable covered bonds is likely to be proportionally similar to the previous twelve months, despite the fact that the absolute issuance volume could rise slightly given the expected increase in the volume of new issues. On average over the last four years, ESG issues accounted for 12% of EUR benchmark issues, which, based on our supply forecast for 2027, would correspond to an issuance volume of around EUR 23bn. Although we remain optimistic about the growth trend in the ESG segment (maturities in 2027: EUR 12.3bn), we also see that the focus of issuers on sustainable issues is less pronounced than it was a few years ago. Accordingly, we expect a high volume of ESG covered bond issues in excess of EUR 20bn, but not necessarily a new issuance record (2023: EUR 21.9bn). Furthermore, the stringent requirements of the EU taxonomy are likely to pose a challenge, particularly for some green bond issuers, meaning that the number of issuers opting to issue covered bonds under the EU Green Bond Standard is likely to remain limited. This year, five issuers decided to place covered bonds in line with this sustainability standard.

Conclusion

To the extent foreseeable at present, the covered bond segment will start the new year in a challenging but constructive market environment. This was demonstrated not least by the new issues launched this week, which attracted more than adequate investor interest despite the approaching year-end. The challenge will most likely lie in a market environment characterised by high volatility. In addition, the still unresolved sovereign debt crisis and the high level of political uncertainty are having a negative impact on the covered bond market in France and have led to a significant increase in risk premiums. Here, the attention of market participants will clearly be focused on the forthcoming presidential elections in April 2027. The situation in France and any potential “contagion effects” on other EU Member States represent the most significant risks for our spread forecast – but could potentially have an impact on the volume of new issues as well. Nonetheless, we anticipate that the volume of new issues in the EUR benchmark segment will be around EUR 191bn in 2027. With maturities in excess of EUR 180bn, this would result in a net new supply of around EUR 11bn. While the majority of the new issues are expected to come from the two largest EUR benchmark jurisdictions, Germany and France, the smaller covered bond markets, especially those in the CEE region, are likely to emerge as the main growth drivers. We expect the EUR benchmark segment to contract in Canada, among other jurisdictions. As well as having a large number of maturities denominated in EUR, Canadian issuers are very flexible when it comes to the choice of currency for their covered bond issues. Accordingly, while we expect some of the maturities to be replaced by covered bonds, these will not necessarily be denominated in the common currency.

SSA/Public Issuers
SSA outlook 2027: markets characterised by differentiation

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

Public issuers caught between political crises and fiscal risks

As 2026 slowly but surely approaches its end, we can once again look back on a SSA year that offered a great deal of talking points, but we will save this for our traditional review within the first weekly publication in the new year. Today, we would instead like to take this opportunity to look ahead and provide an outlook for 2027, in which some decisive steps are likely to be taken that will set the course – both in economic, monetary and (geo)political terms. These have a direct impact on the framework conditions under which the issuers operate in our relevant SSA definition (i.e. excluding sovereigns). In the next year, the SSA segment is likely to continue to be primarily influenced by (undesirable) fiscal developments. Key influencing factors include not only further rises in social spending and necessary investment in infrastructure, climate protection and defence, but also growing competitive pressure on the capital markets due to the high financing requirements of US technology corporations. The increasing significance of interest costs in public budgets further restricts the fiscal leeway available to policymakers and makes a long-term and sustainable consolidation process appear virtually impossible, particularly against the backdrop of a lack of willingness to compromise on far-reaching reforms in many jurisdictions. At the same time, the ECB has consistently ruled out expanding its balance sheet to correct fiscal aberrations. In this respect, market players are viewing the future trajectory of debt in Europe with growing concern. Nevertheless, the current environment certainly also offers opportunities for long-term investors, who are once again being offered attractive returns following years of zero interest rates. However, a nuanced view of the various jurisdictions, issuers and credit profiles is becoming increasingly important in this context. In our view, France is likely to remain the Achilles' heel of Europe. The market is pricing in not so much the absolute level of government debt as the (lack of) prospects for sustained consolidation. This predicament is likely to continue to preoccupy the capital markets in the coming year and will mean persistently higher refinancing costs in the future, especially for French agencies – whose ratings are often equated with those of the state. With regard to the political state of affairs in Germany, the situation has become even more acute following the successes of the AfD and Die Linke in this year's state elections. At the same time, the federal government is still failing to present a united front on many issues, and the financial situation of local authorities is alarming in some areas. In our view, pressure to spend is likely to lead to a further rise in public sector debt in Germany in 2027 as well. Furthermore, we must keep an eye on the geopolitical landscape: the conflicts in Ukraine and Iran are still ongoing and are weighing heavily on price trends for key energy sources, namely oil and gas. This global uncertainty, in turn, has a direct impact on market players' risk tolerance. All things considered, the risk of spread widening in the SSA segment remains high, although we are assuming in our baseline scenario that the movement will tend to be predominately sideways.

The (net) supply is likely to remain at a high level

By now (i.e. at our editorial deadline), most issuers have completed their refinancing for the current year or are on the home stretch when it comes to funding. Since the start of the year, we have registered a total of 213 EUR benchmark issues (among the public issuers we analyse) amounting to around EUR 324bn overall. This was the second-largest volume ever in our SSA coverage and is only trumped by issuance activities in the pandemic year of 2021 (EUR 329.3bn). For the coming year, there is still significant pressure for action and a need to catch up in the areas of social welfare, infrastructure and defence, which results in a continuing need for financing and burdens on public budgets – from German municipalities to supranationals. This will continue to have a significant impact on the funding volume in 2027 (and beyond). For the coming year, we therefore expect EUR benchmark issues in a range of EUR 300-310bn, subject to a certain degree of uncertainty. The slight decline compared with 2026 is especially attributable to the end of the NGEU programme, as a result of which issuance activities on the part of the EU are likely to be lower in future.

Focus: German Laender

Having been previously barred from structural net borrowing, the reform of the debt brake at Laender level in spring 2025 granted German sub-sovereigns an annual net borrowing margin capped at 0.35% of their GDP, which currently corresponds to an amount of just under EUR 16bn. At the same time, the Laender are also receiving a total of EUR 100bn from the German federal government's special fund for infrastructure and climate protection, which introduces an additional element of uncertainty into the supply estimate. So far this year, the Laender have issued EUR-denominated benchmark bonds totalling EUR 50.3bn, which is slightly less than in the previous year (EUR 51.7bn). Regarding credit authorisations, which the sub-sovereigns report in their respective budget planning, albeit with no obligation to utilise this volume in full, we anticipate a gross value of around EUR 80bn for 2027.

Credit authorisations of German Laender: 2026 vs. 2027e (in EURbn)

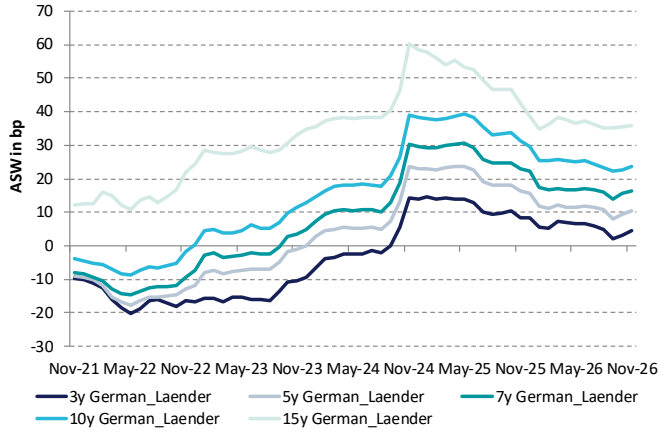
	2026	2027e
Baden-Wuerttemberg	5.4	6
Bavaria	0.5	1
Berlin	10.0	11
Brandenburg	2.9	4
Bremen	1.6	1
Hamburg	5.3	6
Hesse	7.5	8
Mecklenburg-Western Pomerania	1.0	1
Lower Saxony	7.7	9
North Rhine-Westphalia	17.5	16
Rhineland-Palatinate	5.5	5
Saarland	2.0	3
Saxony	0.5	1
Saxony-Anhalt	2.8	2
Schleswig-Holstein	3.5	4
Thuringia	1.8	1
Total	**75.5**	**80**

e = estimate
Source: Bloomberg, NORD/LB Floor Research

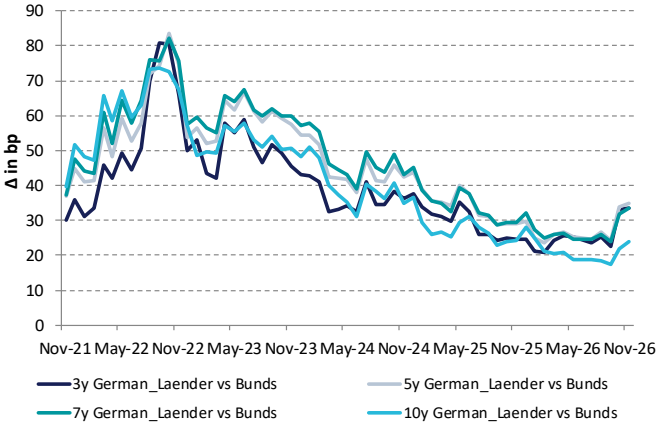
Slightly higher funding expected for German Laender in 2027

In the SSA segment, bonds from German Laender are still by far the most important sub-sovereign market – the 16 Laender extended their lead and thus their importance in 2020 especially, but also in 2021. However, before that there had been a decline in funding volumes for many years. For 2027, based on our forecast of credit authorisations, we expect a gross supply of new bonds amounting to EUR 80bn. When set against maturities of just under EUR 48bn in the coming year, this would lead to a positive net supply of EUR 32bn. In both cases, these figures take into account not just EUR benchmark bonds, but also foreign currency and Schuldscheindarlehen (SSD) deals. This volume by no means detracts from the relevance of German Laender bonds in this key segment. With regard to Laender jumbos placed by the joint Laender issue vehicle (ticker: LANDER), we expect at most one new issue in the coming year. We continue to observe a trend whereby those Laender still participating are likely to be ever more critical of the construct and increasingly questioning the suitability of the vehicle. In addition, the funding plans of the Laender should not ignore the fact that the sub-sovereigns will receive a total of EUR 100bn from the special fund for infrastructure and climate protection. However, there are still many indications that these financial resources are not being used for additional investments and instead replace other expenditure in the core budgets. In light of budget transparency and serious real infrastructure deficits, we consider this to be absolutely the wrong approach. With regard to spread trends in the coming year, we currently see little scope for a sustained decline in risk premiums. The current spread level is likely to largely reflect the "new" status quo in times of higher debt and growing budget deficits. However, there are undoubtedly risks of a (further) widening of valuation premiums: political uncertainty should not be underestimated in Germany either and the ongoing disputes between the CDU/CSU and the SPD are increasingly reminiscent of the traffic light coalition. The Laender finances are also facing great challenges in the future due to pension entitlements and the municipal budget situation, among other aspects. Insofar as these structural problems are not solved in the long term, the financial burdens are likely to grow steadily in the future and mean an increasing need to take on debt. The ratings and outlooks could also come under pressure, with correspondingly negative consequences for funding conditions.

Spread development of German Laender



Spreads of German Laender vs. Bunds



Source: Bloomberg, NORD/LB Floor Research; data as at 24 November 2026

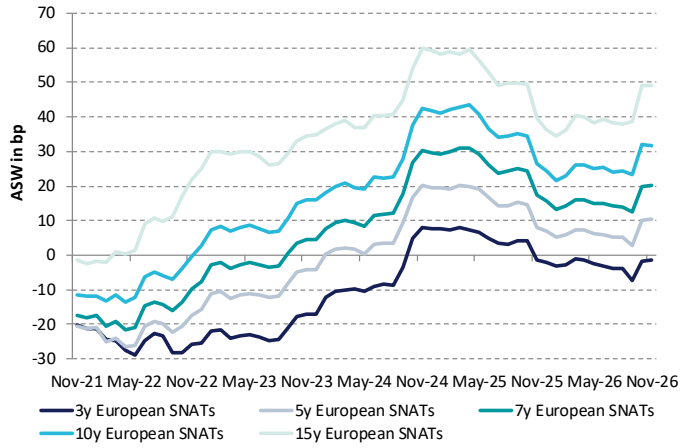
EIB and EU between defence and climate protection

The (few) E-supras remain an important category in the SSA universe and since 2021 have now been larger than all German EUR benchmark issuers combined in our coverage. The EIB will of course continue to be a regular player in the primary market in 2027. Compared with 2026, we expect a slightly higher funding target of EUR 65-70bn, again split between a large number of different currencies. In addition, the EIB is expected to further expand its ESG activities with at least one new European Green Bond. In contrast, maturities of around EUR 41bn await us next year. While the recent expansion of EUR benchmark issues in the SSA segment can be largely attributed to the EU's noticeably increased funding requirements as part of its NGEU programme, the EU's refinancing target is likely to be set at a lower level following the end of the NGEU. Although the EU launched a new EUR 150bn instrument last year in the form of SAFE and approved further aid worth billions for Ukraine, this is unlikely to compensate for the shortfall in NGEU funding volumes. In its investor presentation, the EU has indicated average annual refinancing needs of EUR 130bn until the end of the decade. Moreover, the ESG supply from green bonds is likely to decline significantly. The extent to which new bonds will be issued in this segment in future remains unclear at present and depends, amongst other things, on how many of the maturing conventional bonds are refinanced through green bonds during the NGEU refinancing phase. Regardless of this, the net supply from the EU will remain high in 2027 as well. Maturities total approx. EUR 40bn, so based on a conservative estimate of refinancing requirements, net supply is likely to amount to at least EUR 90bn. In December, the EU will publish the funding plan for H1/2027 and host a "Global Investor Call". This should then provide greater clarity regarding the EU's future primary market activity. The capital requirements for 2027 could be significantly driven upwards by further support payments to Ukraine. A further loan of EUR 45bn is currently under discussion, to be financed through joint borrowing. With regard to the EU's efforts to have its bonds included in relevant government bond indices, the declining volume of new issues is in our view likely to further dampen the prospects of this happening.

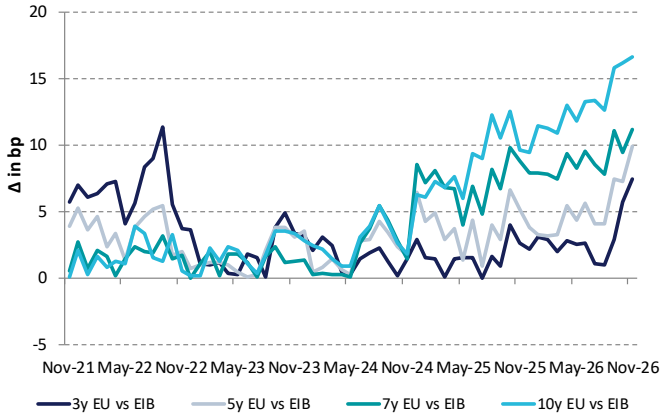
Diminishing new net supply for ESM; EFSF merely refinancing its maturities

For the ESM, we expect a negative net supply of EUR -4.0bn for 2027, as only EUR 6.5bn of new issues will enter the market against maturities totalling EUR 12.3bn. For the EFSF, we expect a slight increase in new issue activities to EUR 18.5bn, compared with EUR 16.5bn this year. However, maturities will be as high as the funding target, meaning that, on balance, no market growth is to be expected. However, early repayments of liabilities by debtor states could influence the scale of the refinancing programme. For example, a repayment by Greece in October led the EFSF to reduce its original target by EUR -2.5bn. Moreover, we expect the ESM to once more appear on the market with a USD bond and also to further expand the digital bond segment. The top ratings of E-supras could come under further pressure in the future if, for example, France suffers further downgrades from the major agencies. A possible deterioration in Germany's creditworthiness or a downgrade of its outlook to "negative" also remains a significant tail risk for the credit ratings of all E-supras.

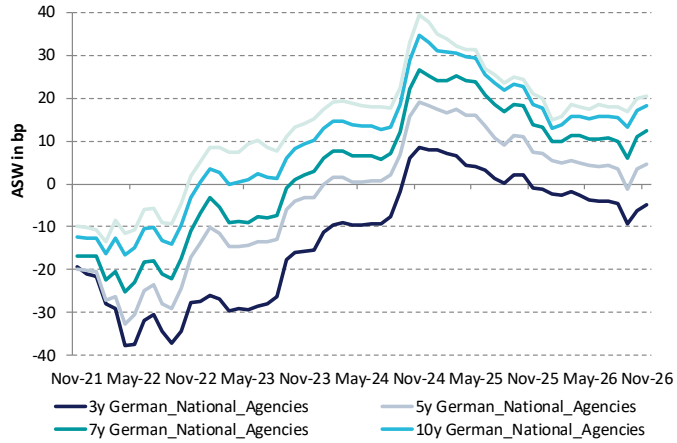
Spread development of E-supras



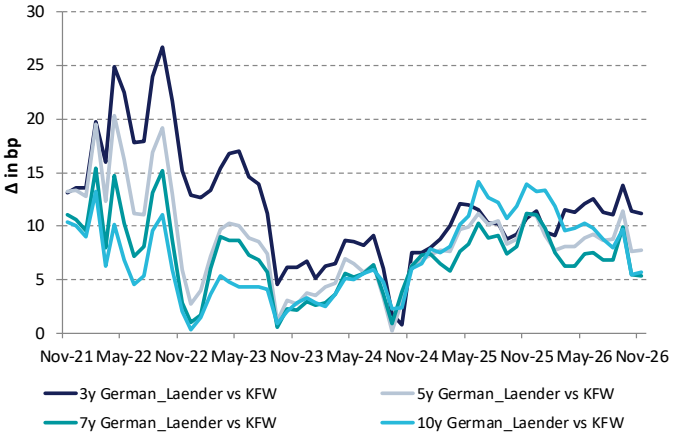
Spread differences: EIB vs. EU



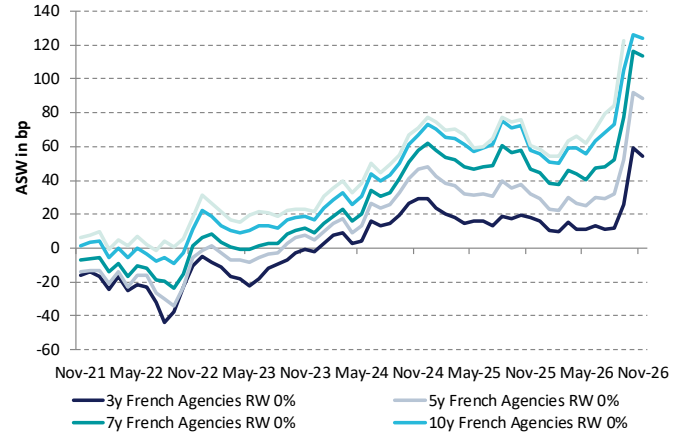
Spread development of German national agencies



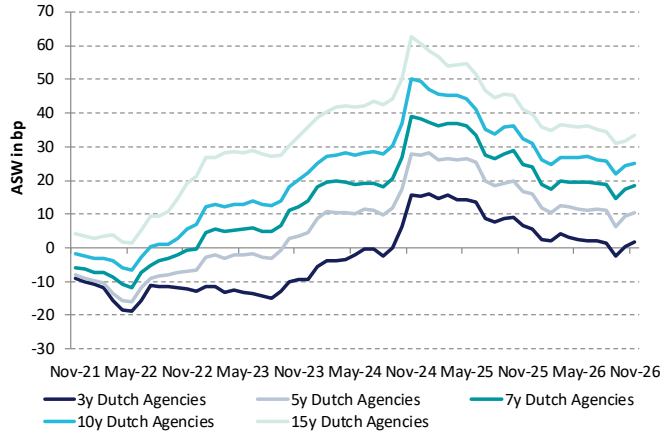
Spread differences: German Laender vs. KfW



Spread development of French agencies



Spread development of Dutch agencies



Source: Bloomberg, NORD/LB Floor Research; data as at 24 November 2026

German agencies to record (slightly) positive net supply overall

For the German agency market, we expect a (slightly) positive net supply overall, with funding volumes likely to trend upwards due to the German government's fiscal package and the recovery of the economy. As the most dominant market player, KfW (Kreditanstalt für Wiederaufbau) will announce its funding target for 2027 at the annual Global Investor Broadcast on 08 December. We are projecting a refinancing requirement of EUR 90-95bn, which is traditionally spread across a variety of currencies. In contrast, maturities of around EUR 79bn are expected in 2027. Accordingly, KfW's net supply would therefore remain positive. As the second national agency, we expect a slight decline in net supply for Landwirtschaftliche Rentenbank. The maturities for 2027 amount to approx. EUR 13bn, meaning that Rentenbank is unlikely to refinance all of its liabilities, given our anticipated funding target of EUR 12bn. With regard to the regional promotional institutions, we are assuming that new funds of EUR 15-17bn will be raised by NRW.BANK, which would be in line with this year's target. In this case, maturities meanwhile amount to EUR 11.6bn, which will result in a positive net supply overall. Against the backdrop of the German government's fiscal package and the priorities outlined in the 2027 federal budget, we expect the positive momentum for KfW's promotional business to continue into next year. In contrast, we believe that the effect on the promotional institutions of the Laender will remain limited or selective, as the funds from the special fund can only be used to a limited extent for additional investments and are primarily apportioned via direct budget allocations. On the spread front, we expect German agency bonds to move laterally, though we do not rule out slight widening, driven by factors including the high supply of Bunds.

France: a powder keg – French agencies caught in the wake of government debt

France will remain the Eurozone's problem child in 2027 as well: the spiralling government debt combined with decades of budget deficits offers little cause for optimism, especially since the political camps remain divided on key fiscal policy issues. We therefore do not expect the French budgetary situation to improve significantly in the foreseeable future. Even if the parties were to agree on a budget that includes future consolidation measures, the mutual concessions required to reach such an agreement would likely be so far-reaching that the fiscal impact would remain limited and a sustainable recovery of public finances would be highly unlikely, at least in the short term. Public debt now stands at just under 120% of GDP, and the trend is upward as the French government plans to raise EUR 340bn on the capital market in 2027 alone. In addition, higher interest expenses resulting from significantly tighter refinancing conditions are likely to place further strain on the already limited financial leeway. The same applies to French agencies, whose risk premiums have also skyrocketed in recent weeks. For 2027, we expect the refinancing needs of French agencies to remain at the previous year's level, at most. While Unédic's medium and long-term refinancing target of EUR 8bn is lower than in the previous year and the funding requirement of CADES is also expected to decline somewhat, excluding the transfer of new debt (forecast: EUR 10-12bn), Bpifrance has indicated a slight increase in capital market activities, amounting to EUR 10bn. As for the other French agencies, such as AFD (EUR 9.5bn) and SGP (EUR 6bn), we do not expect their funding targets to decrease significantly compared with 2026. With regard to spread developments, we expect a general sideways movement, although the likelihood of further widening is likely to be greater than that of narrowing.

Dutch agencies remain active – TenneT NL drives market growth

Other significant issuers in the European SSA segment include Dutch promotional banks. BNG's funding target for 2027 is expected to be in the range of EUR 17-19bn. Furthermore, its Sustainability and Social Housing Bonds are already well established. Meanwhile, the power grid operator TenneT NL made its debut on the primary market this year and immediately emerged as one of the largest issuers of green bonds in our coverage. For the coming year, we expect the agency to once again raise EUR 6–8bn in the medium and long-term maturity segment through green bonds. NWB is also a regular issuer of ESG bonds: each year, it issues the equivalent of EUR 11-13bn in various currencies, with a share of around one third attributable to in-house Water Bonds and SDG Housing Bonds (known as Affordable Housing Bonds until 2019). Both BNG and NWB are strongly diversified across currencies – only surpassed in this regard by the Nordics.

Opportunistic EUR funding from Canada

On the other side of the Atlantic, it is always hard to predict what benchmark EUR issues might come from Canadian provinces. First and foremost, all these issuers tend to prefer their domestic currency and therefore use the EUR only opportunistically. We do not expect a repeat of the EUR 11.25bn seen in 2026, a strong year for new issues, but instead anticipate EUR benchmark bonds in the range of EUR 8-10bn for 2027. Canadian pension funds active in the EUR market have now also become an integral part of our SSA coverage and expand the investable Canadian bond universe to include additional maturities and pick-up opportunities. In this context, we anticipate new EUR benchmark issues totalling EUR 5-6bn.

Defence spending finance will remain a focus in 2027

The financing of Europe's defence capabilities is expected to remain a key focus in the coming year. To mobilise additional (private) capital and identify bonds primarily "aligned with Europe's defence, security and strategic autonomy priorities", the Euronext stock exchange last year created a new label called the European Defence Bond (EDB). Issuers declare that at least 85% of the proceeds will be allocated to financing defence, security and qualified dual-use projects. Up to 15% may be used for other economic activities, provided they do not contradict the EU's objectives of the label. However, the interim assessment following their introduction in July 2025 is sobering. Among other reasons, this may be due to the fact that these bonds do not appear particularly appealing from the perspective of ESG investors, even though the ICMA does not categorically rule out compatibility between defence and ESG in its Guidance Handbook, which was last updated in June 2025. To date, EDBs have been issued by only a few issuers, such as Groupe BPCE and its subsidiary Natixis. In the SSA segment, only the French Bpifrance has so far been active on the market with an EDB (cf. weekly publication dated 19 November 2025). We do not expect this bond segment to gain significant momentum in the coming year. The multilateral Defence, Security and Resilience Bank (DSR Bank), headquartered in Canada, could potentially provide some impetus; it is expected to begin operations in 2027 and plans to allocate USD 135bn (equivalent to EUR 116bn) for defence projects. At least, this is what is specified in the EDB framework. However, we also consider it conceivable that DSR Bank might develop its own framework, which could be more closely aligned with NATO's strategic orientation and planning mechanisms, given the founding states.

ESG: further growth impetus from European Green Bonds?

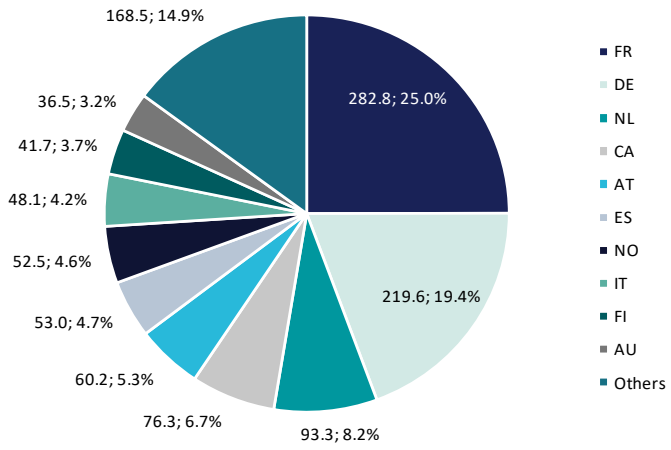
The volume of green bonds issued has increased sharply over time since the EIB's first placement of this kind back in 2007. The ESG segment also received an additional boost from the EU social issues. The EU's SURE programme alone consisted of almost EUR 100bn in social bonds, although this expired on 31 December 2022. In addition, the EU has elevated itself to one of the world's largest green issuers under NGEU. As previously outlined, it remains to be seen exactly how the EU will position itself in this segment next year. We expect greater transparency in this regard with the publication of the next funding calendar. The French issuers Unédic, CADES, AFD and SGP are also regularly active with large volumes and in various ESG formats. In addition, the EIB's green transformation process will continue in 2027. The pioneering role of the inventor of green bonds therefore remains undisputed. However, KfW and the federal state of North-Rhine Westphalia have also now built up a green, sustainable and at the same time highly liquid curve, which will be boosted by fresh supply next year. It is also possible that another German subsovereign will come in with a corresponding framework and a first new issue, as was recently the case for the Free and Hanseatic City of Hamburg. In the Laender segment, we expect new issues in the ESG segment to total EUR 3-4bn. The issue of European Green Bonds (EuGBs) is also continuing to gain momentum. For nearly two years now, issuers have been able to assign this label to their bonds which meet the high sustainability standards of the EU taxonomy as regards use of proceeds. For the coming year, we predict that IDFMOB and the EIB are likely to once again be active in this format. From the subsovereign segment, the Madrid region and federal state of Baden-Wuerttemberg launched successful transactions that can serve as an example for other subnational authorities. However, the stringent requirements and availability of suitable projects are likely to remain a hurdle for the majority of SSA issuers. For 2027, we once again expect new EuGB issues of EUR 9-12bn. As the market becomes more established and the European Commission continues its efforts to make the regulations more practical, issue conditions are likely to become more favourable and attract additional public issuers.

Conclusion and outlook

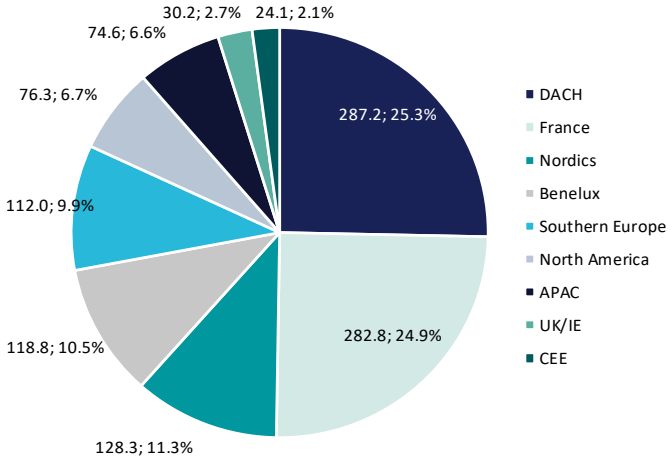
In the coming year, the SSA segment is likely to above all be significantly influenced by fiscal developments in the Eurozone and the associated political uncertainties. Fragmented parliaments, minority governments and political deadlocks are hindering the implementation of – in some cases urgently needed – (austerity) measures for sustainable fiscal consolidation in many European jurisdictions. At the same time, the need for action remains high across Europe, driven in part by demographic trends and significant investment needs in infrastructure, security, defence and climate protection. The appetite for capital among public issuers is likely to remain correspondingly strong in 2027 as well, leading us to anticipate EUR 300-310bn in EUR-denominated benchmark issues. Looking at spreads, overall we are anticipating a sideways movement, although selective spread widening cannot be ruled out.

Charts & Figures
Covered Bonds

EUR benchmark volume by country (in EURbn)



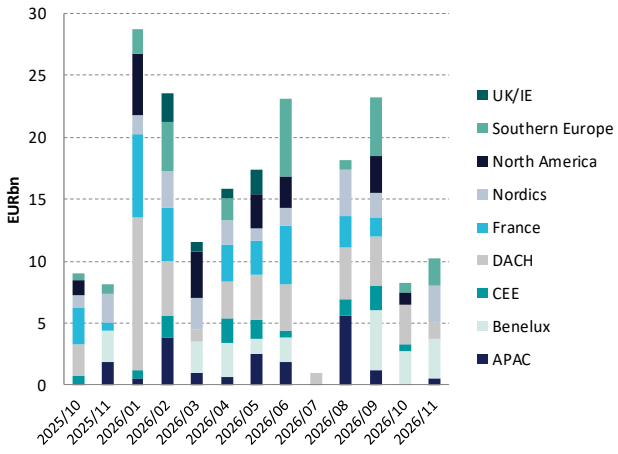
EUR benchmark volume by region (in EURbn)



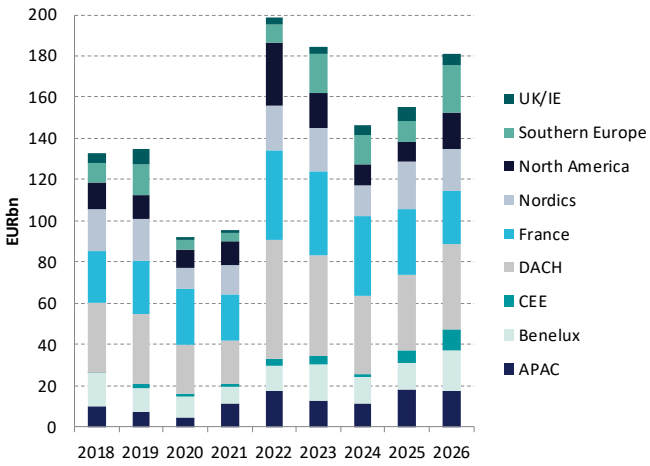
Top 10 jurisdictions

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	282.8	276	42	0.97	9.0	4.0	1.91
2	DE	219.6	303	50	0.68	7.8	3.4	2.01
3	NL	93.3	93	7	0.94	9.8	4.8	1.87
4	CA	76.3	61	1	1.24	5.7	2.5	2.13
5	AT	60.2	98	5	0.60	8.1	3.4	1.84
6	ES	53.0	48	4	1.00	9.4	3.3	2.40
7	NO	52.5	62	12	0.84	7.0	3.2	1.87
8	IT	48.1	61	6	0.74	7.7	3.7	2.51
9	FI	41.7	51	4	0.81	6.6	2.8	2.27
10	AU	36.5	37	0	0.99	7.2	3.1	2.20

EUR benchmark issue volume by month

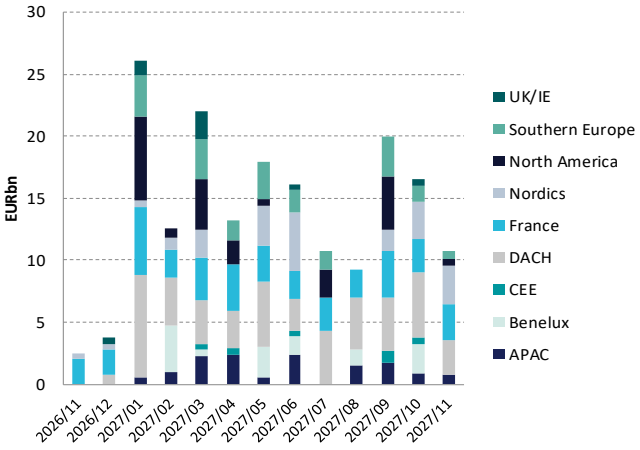


EUR benchmark issue volume by year

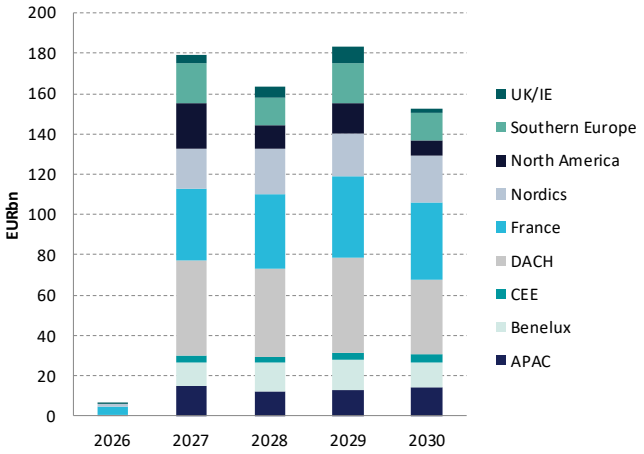


Source: Market data, Bloomberg, NORD/LB Floor Research

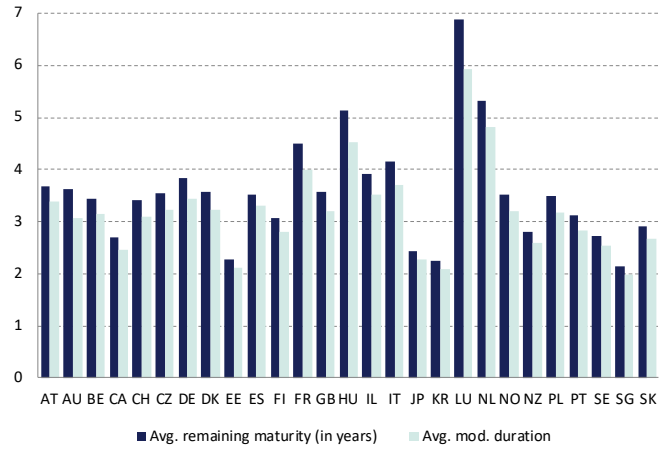
EUR benchmark maturities by month



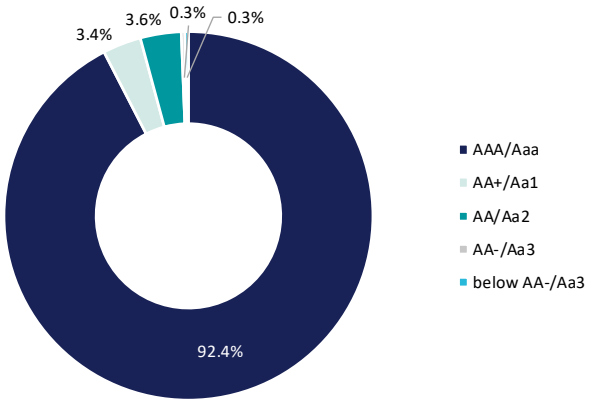
EUR benchmark maturities by year



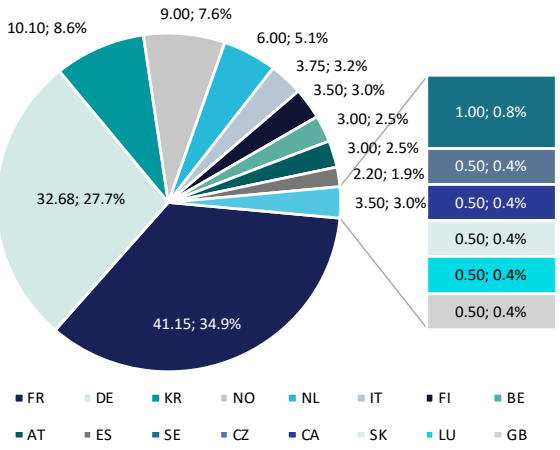
Modified duration and time to maturity by country



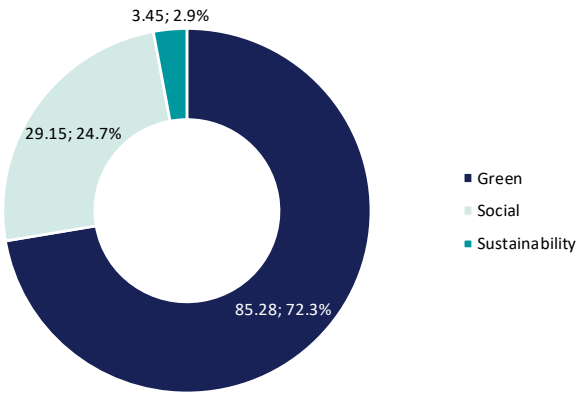
Rating distribution (volume weighted)



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

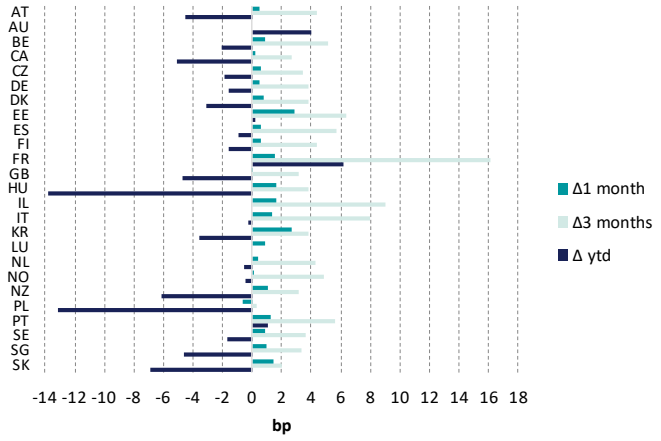


EUR benchmark volume (ESG) by type (in EURbn)

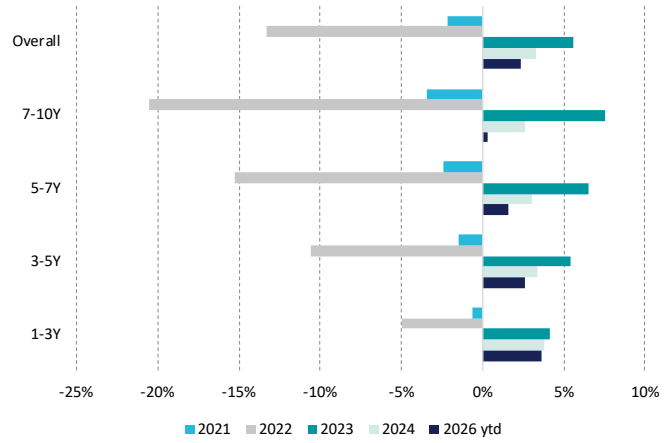


Source: Market data, Bloomberg, NORD/LB Floor Research

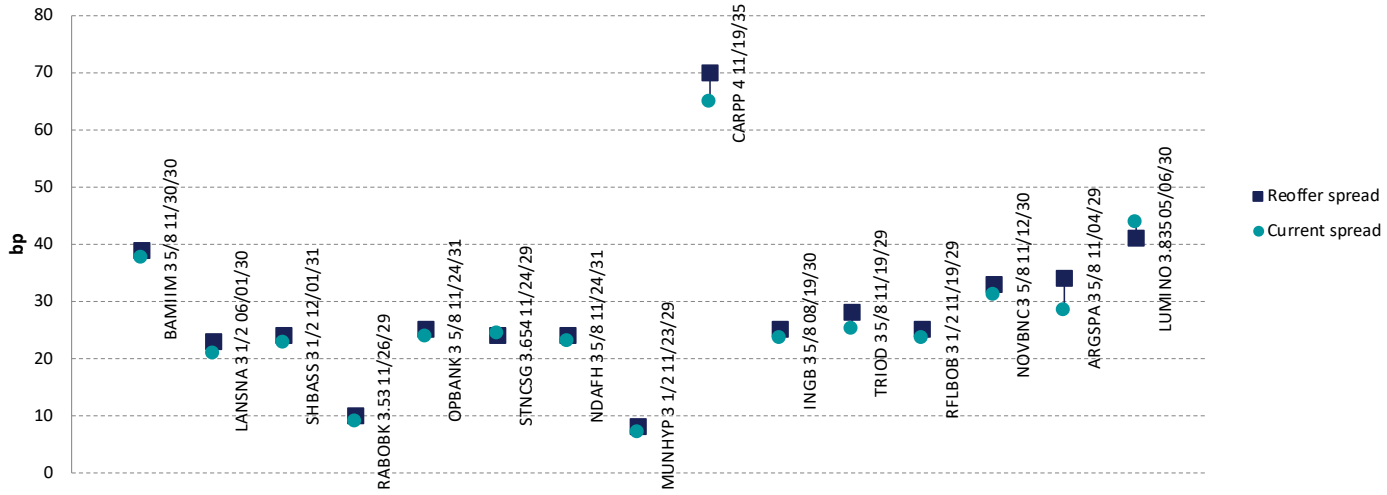
Spread development by country



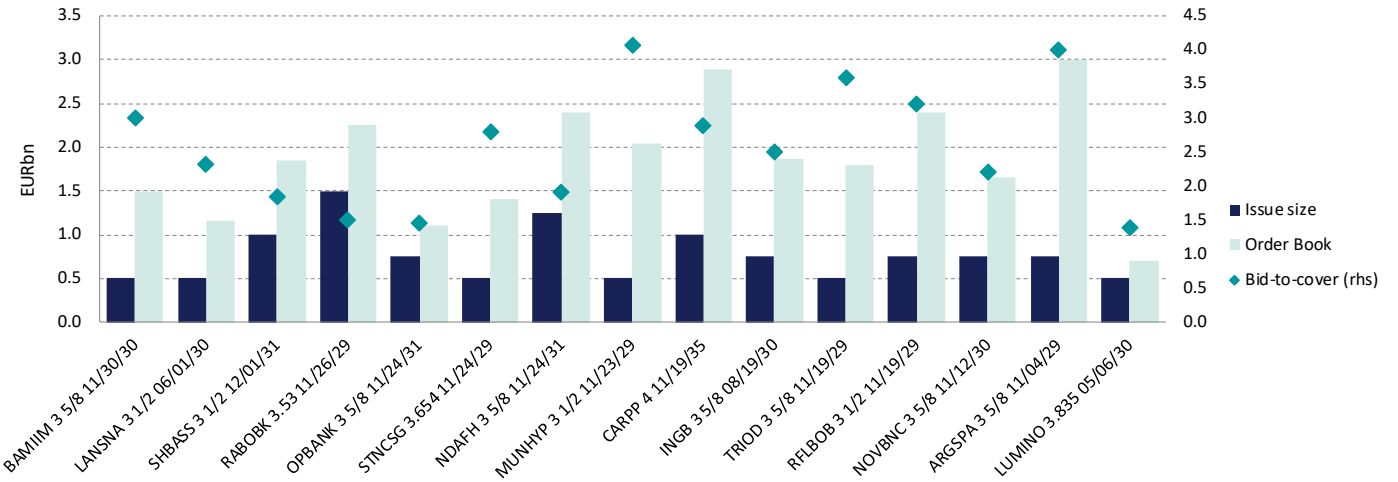
Covered bond performance (Total return)



Spread development (last 15 issues)



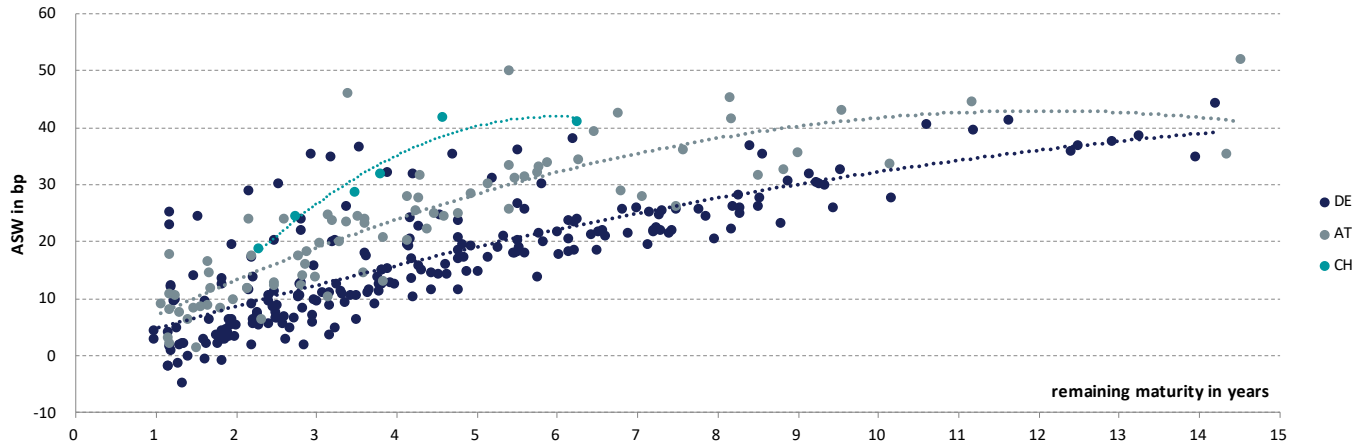
Order books (last 15 issues)



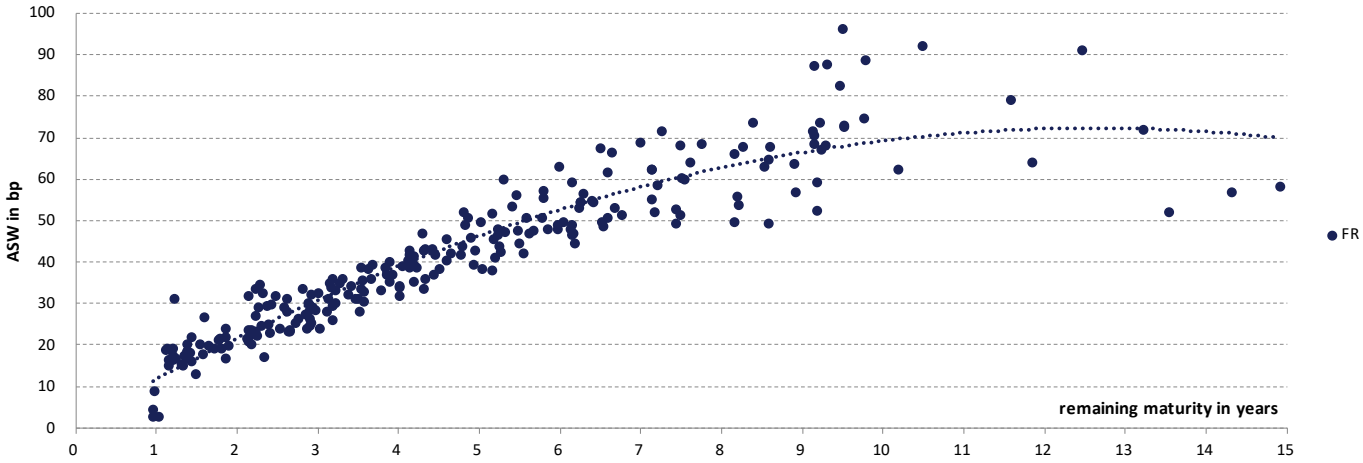
Source: Market data, Bloomberg, NORD/LB Floor Research

Spread overview[1]

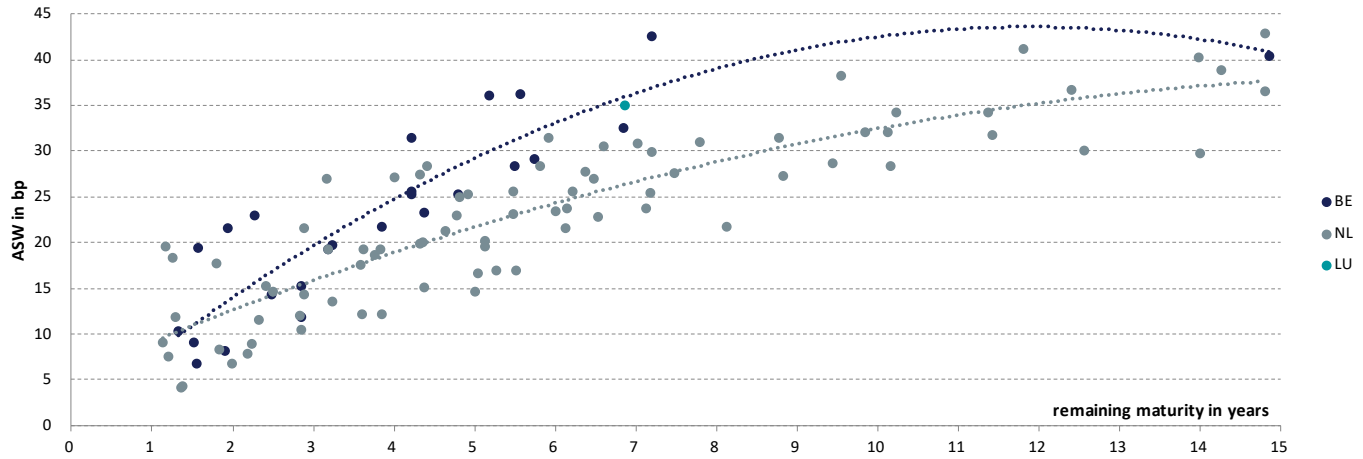
DACH



France

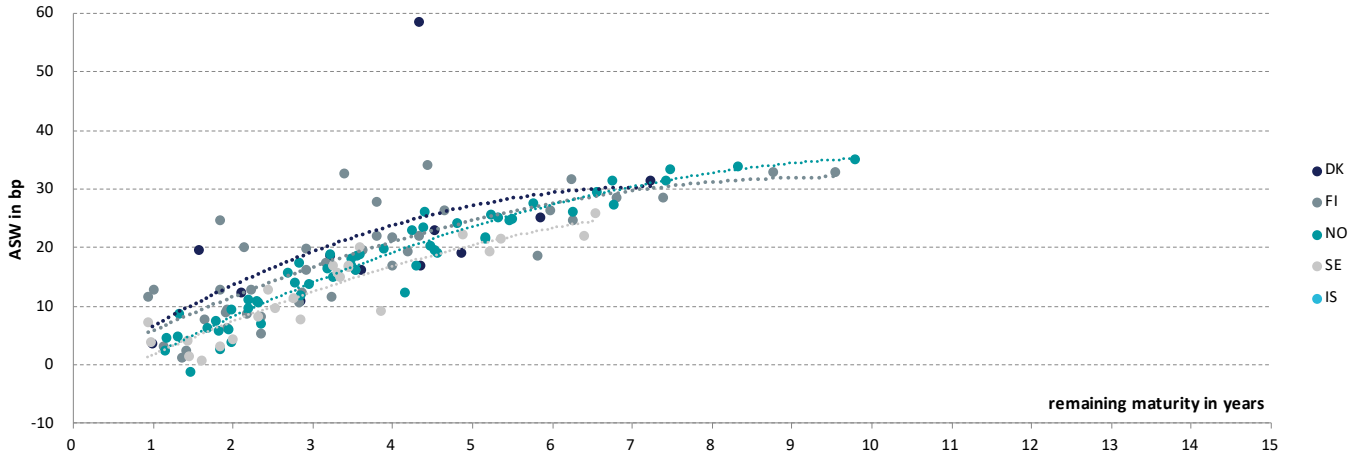


Benelux

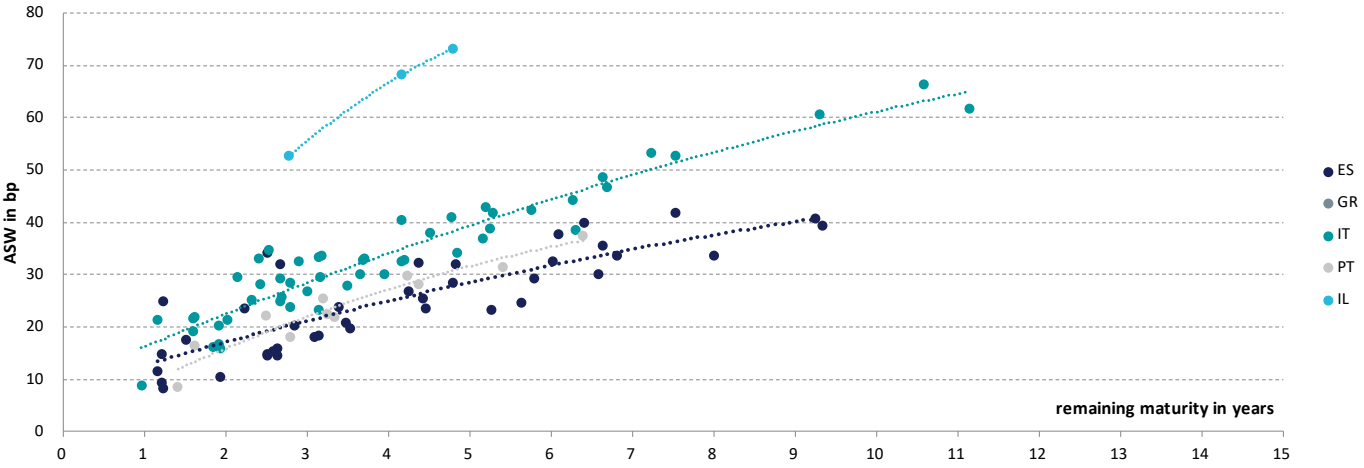


Source: Market data, Bloomberg, NORD/LB Floor Research [1] Time to maturity 1 ≤ y ≤ 15

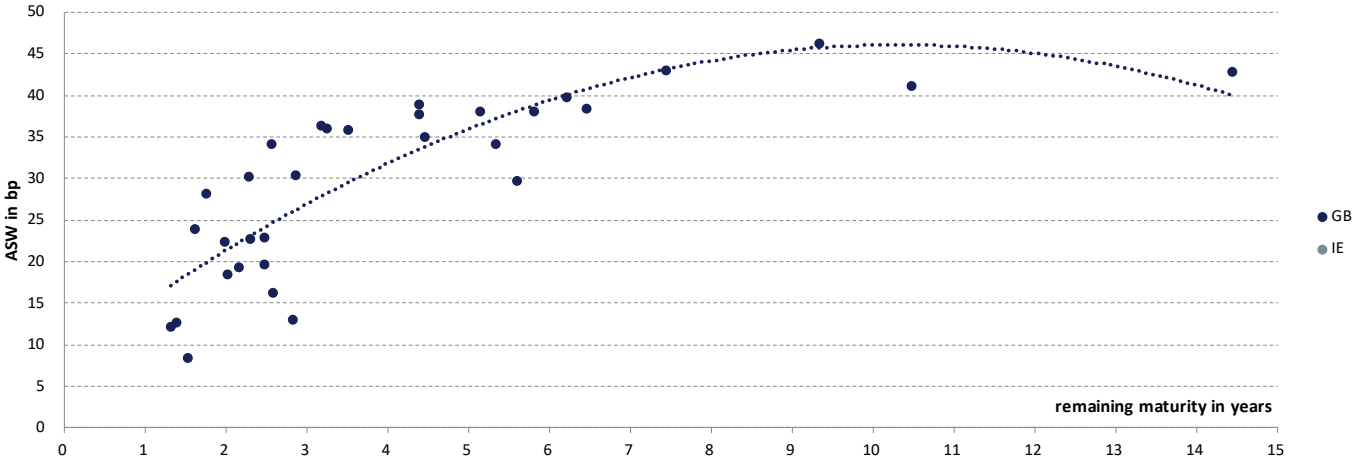
Nordics



Southern Europe

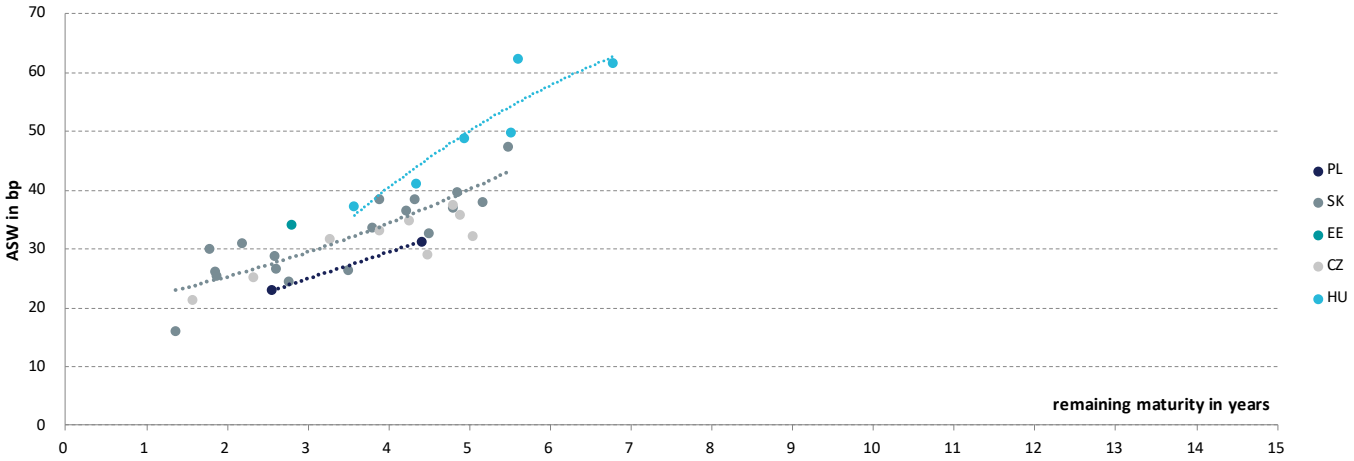


UK/IE

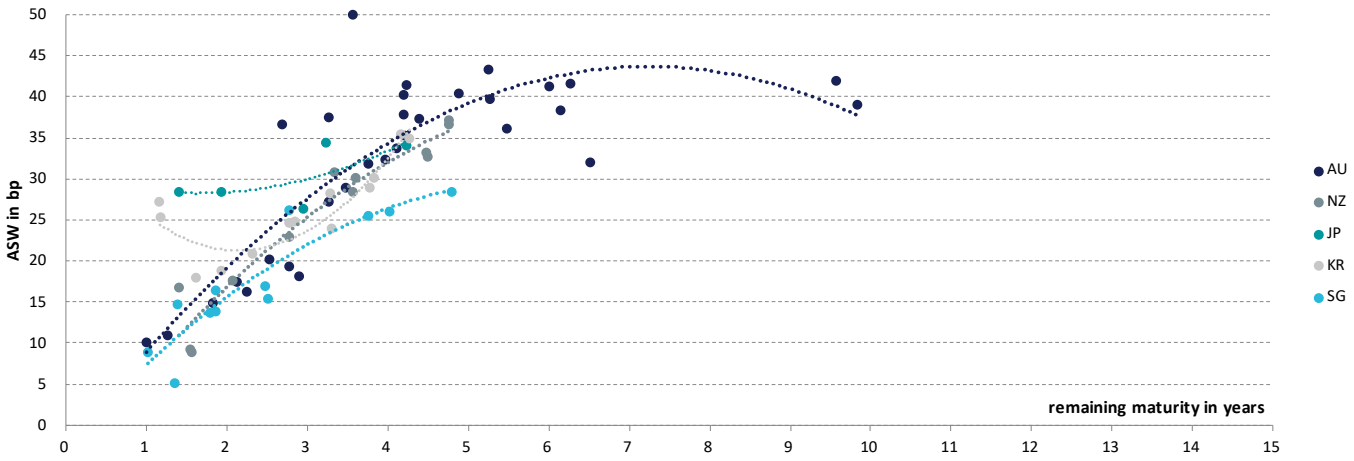


Source: Market data, Bloomberg, NORD/LB Floor Research

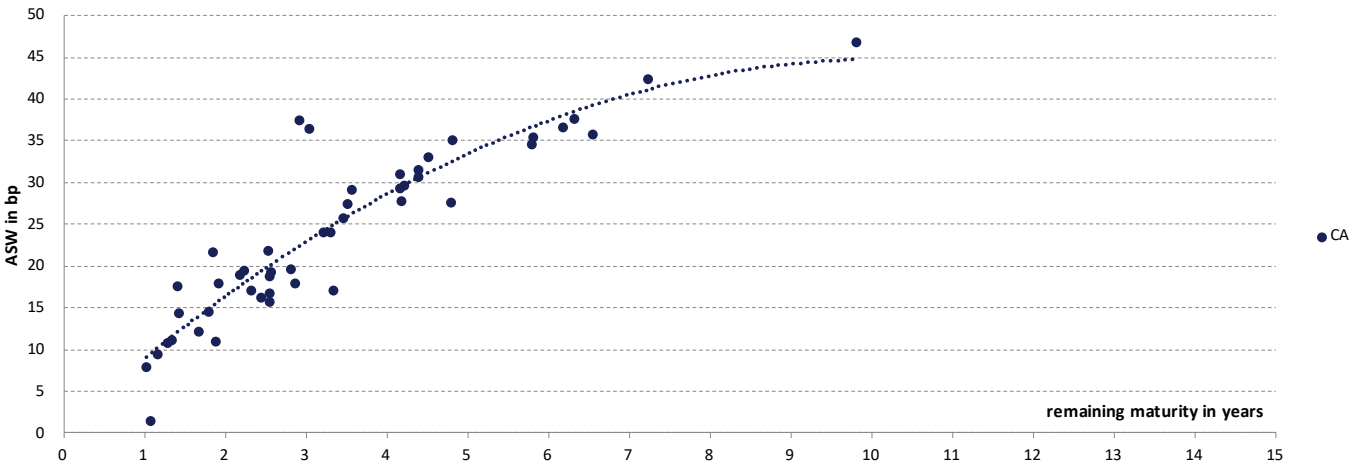
CEE



APAC



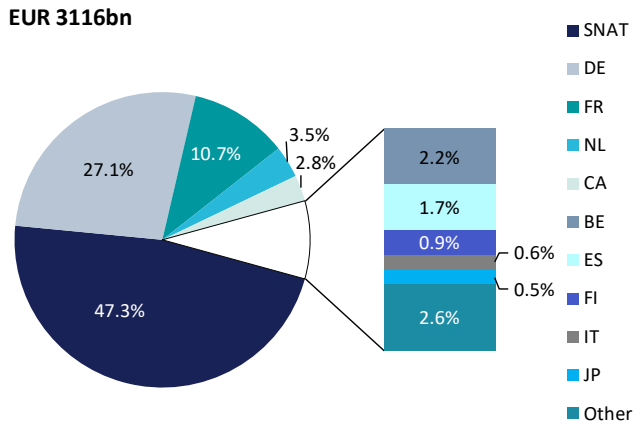
North America



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

Charts & Figures
SSA/Public Issuers

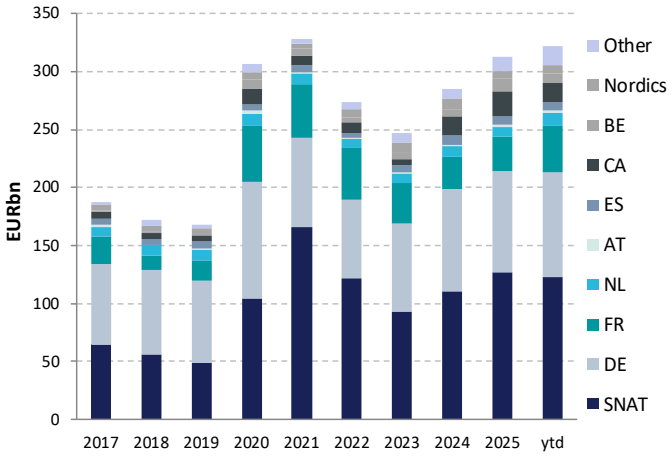
Outstanding volume (EUR bmk)



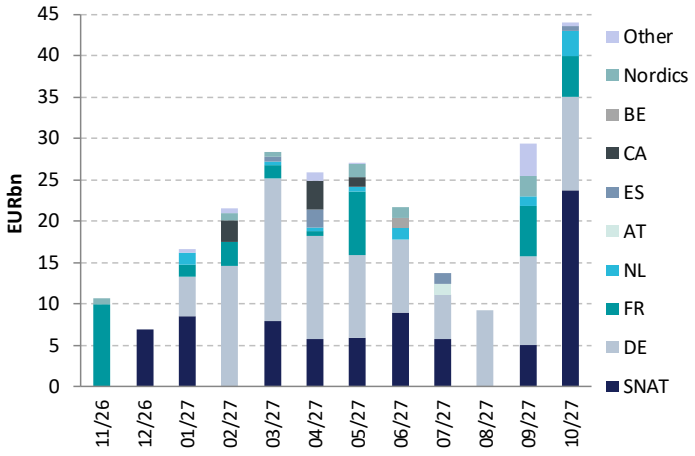
Top 10 overview (EUR bmk)

Jurisdiction	Vol. (EURbn)	No. of bonds	ØVol. (EURbn)	Vol. weight. ØMod. Dur.
SNAT	1,472.8	286	5.1	7.3
DE	844.9	641	1.3	5.5
FR	334.9	219	1.5	4.7
NL	108.9	92	1.2	5.5
CA	88.8	75	1.2	5.9
BE	67.3	59	1.1	8.5
ES	54.2	81	0.7	4.6
FI	28.5	29	1.0	3.3
IT	19.9	27	0.7	3.9
JP	16.0	19	0.8	2.7

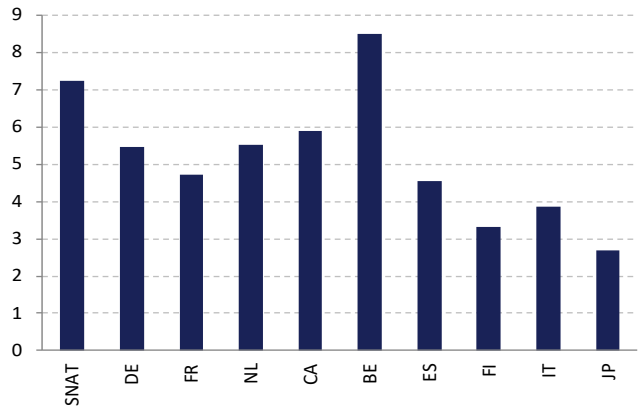
Issue volume by year (EUR bmk)



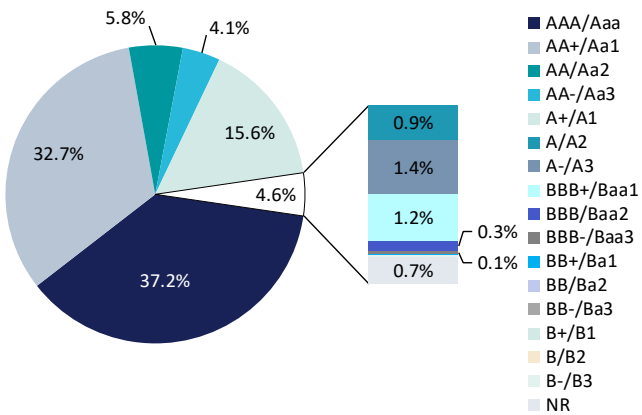
Maturities next 12 months (EUR bmk)



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

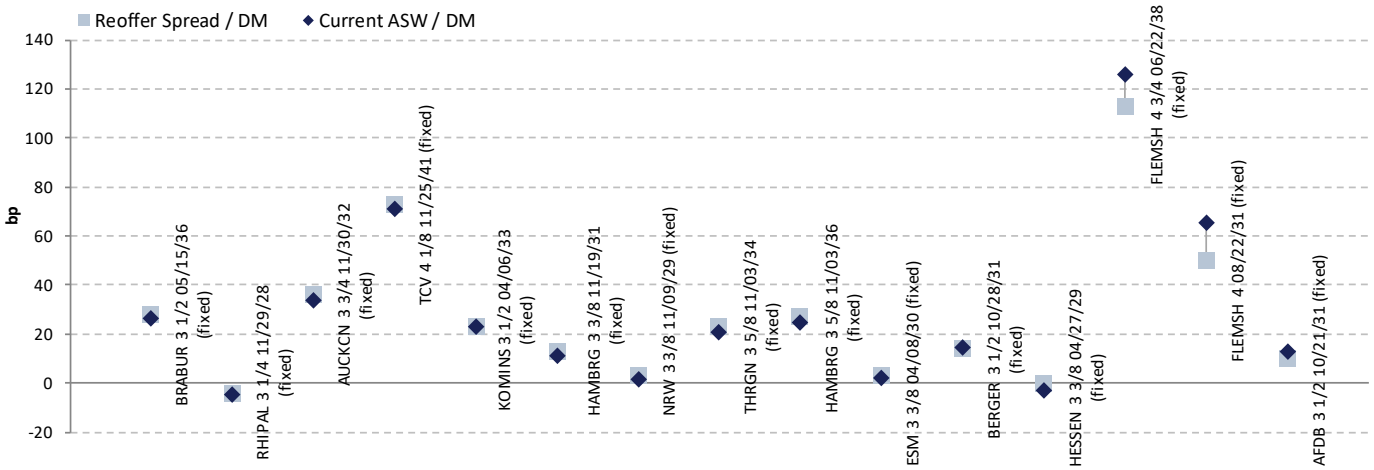


Rating distribution (vol. weighted)

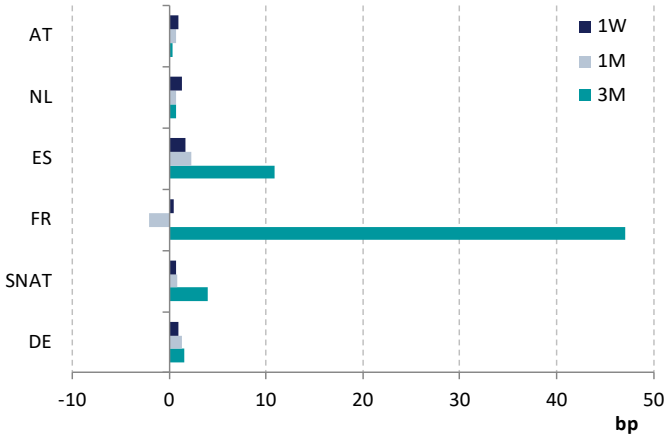


Source: Bloomberg, NORD/LB Floor Research

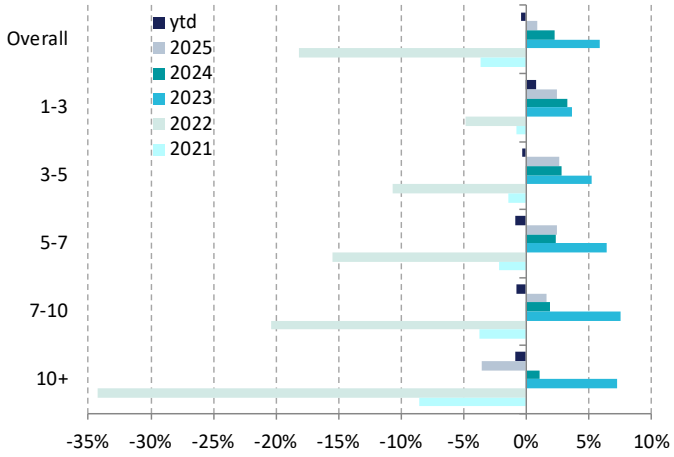
Spread development (last 15 issues)



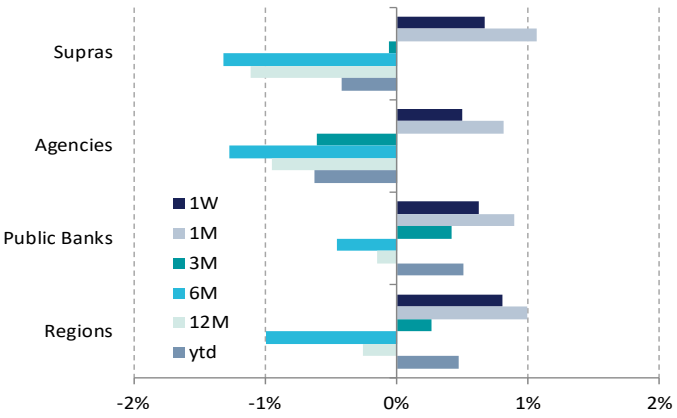
Spread development by jurisdiction



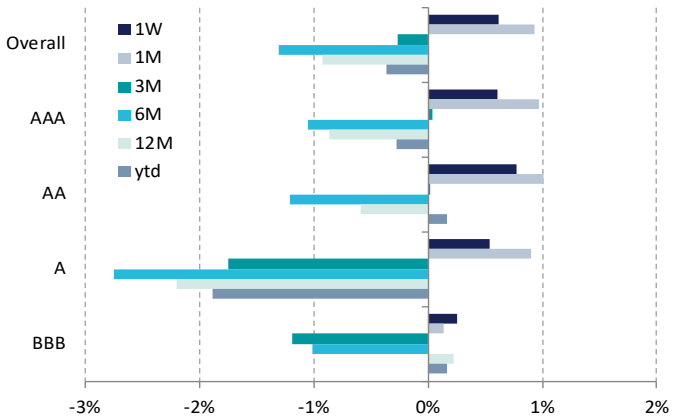
Performance (total return)



Performance (total return) by segments

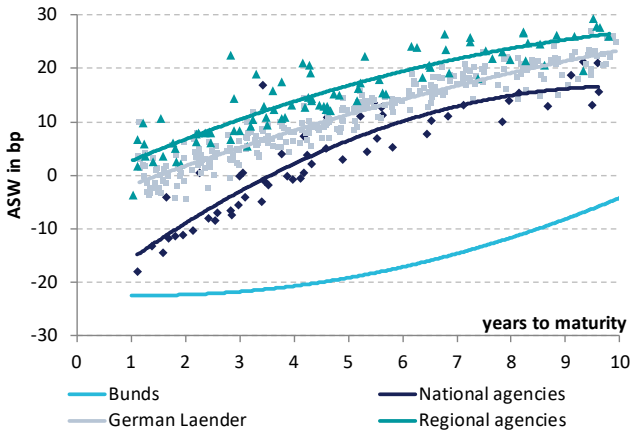


Performance (total return) by rating

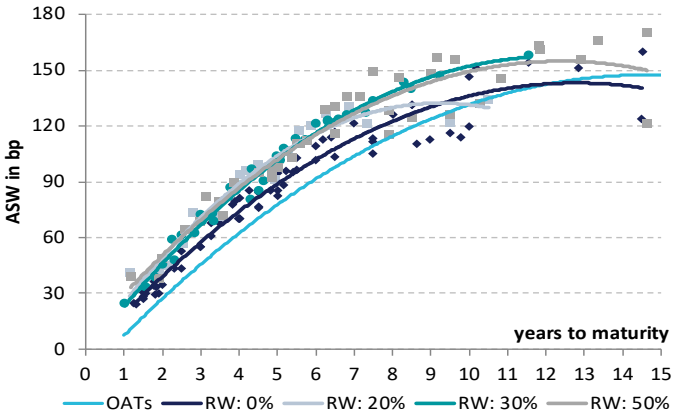


Source: Bloomberg, NORD/LB Floor Research

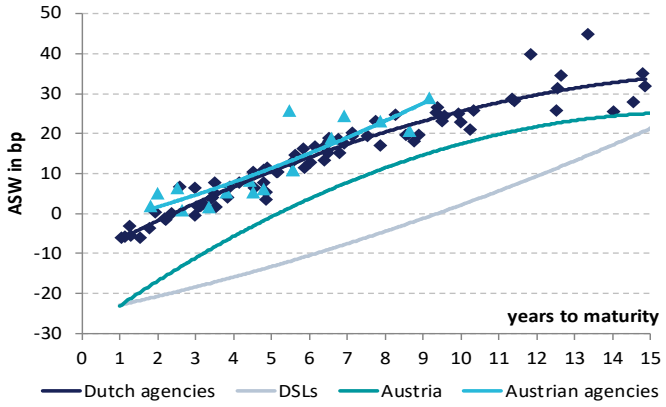
Germany (by segments)



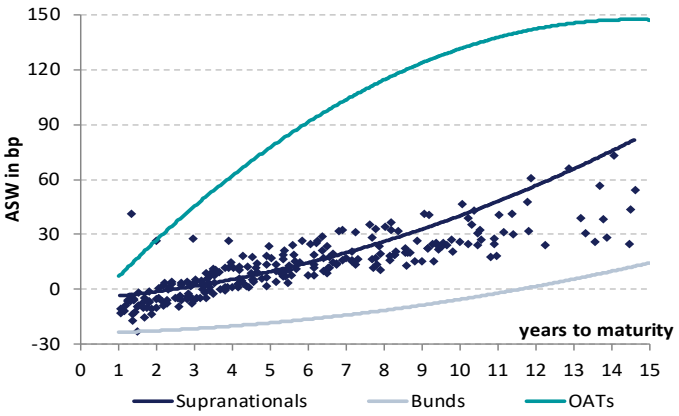
France (by risk weight)



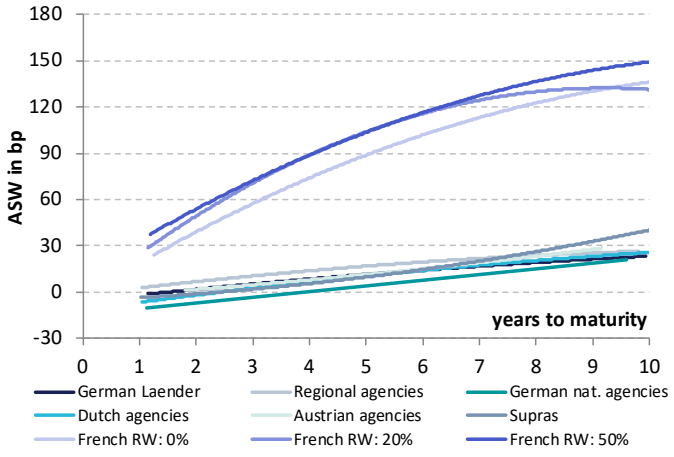
Netherlands & Austria



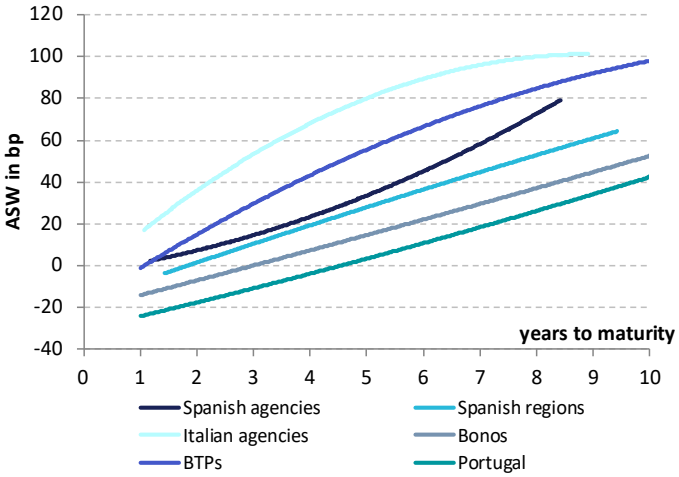
Supranationals



Core



Periphery

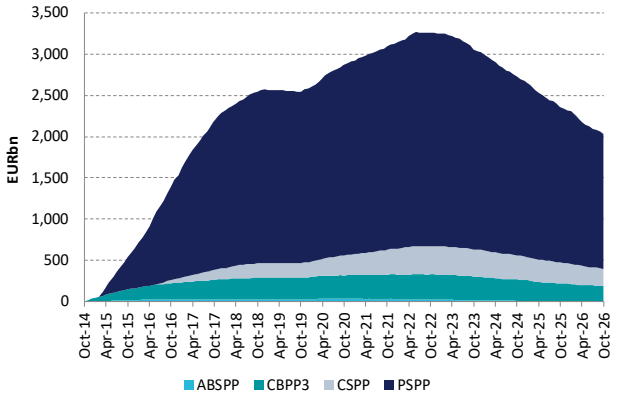


Source: Bloomberg, NORD/LB Floor Research

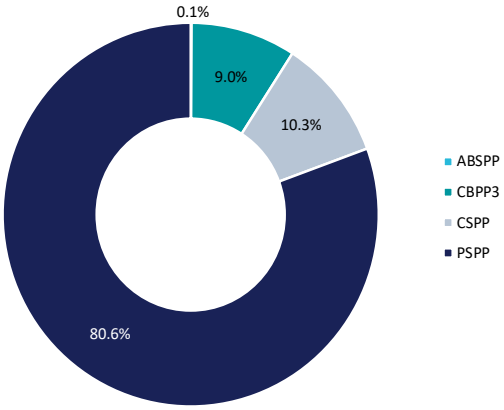
Charts & Figures
ECB tracker

Asset Purchase Programme (APP)

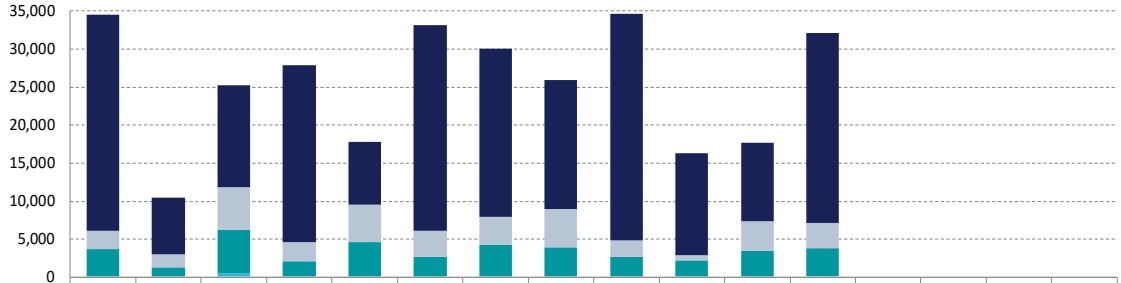
APP: Portfolio development



APP: Portfolio structure

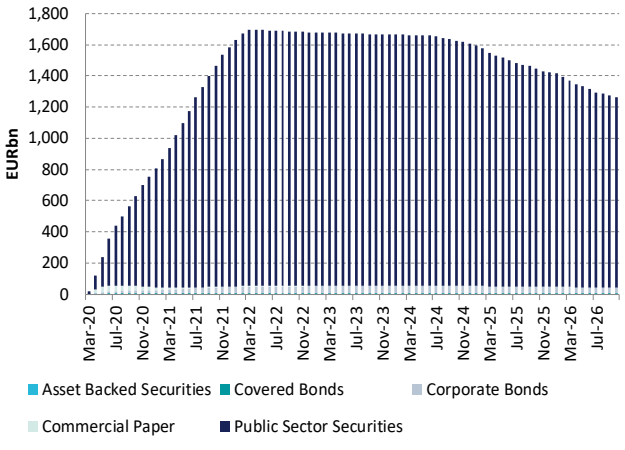


Expected monthly redemptions (in EURm)

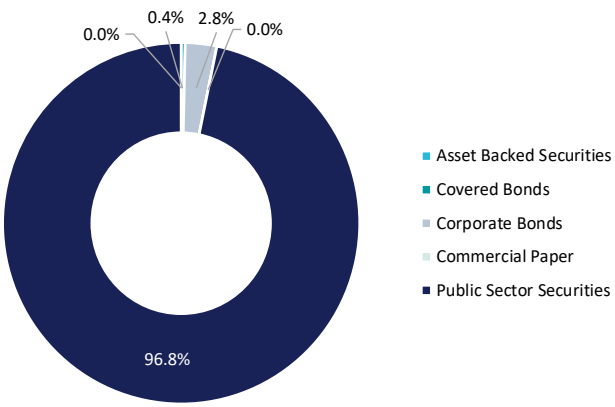


	Nov-26	Dec-26	Jan-27	Feb-27	Mar-27	Apr-27	May-27	Jun-27	Jul-27	Aug-27	Sep-27	Oct-27	Nov-26 - Oct-27	2026	2027	Jan-27 - Oct-27
APP	34,540	10,429	25,280	27,868	17,762	33,181	30,087	25,909	34,639	16,343	17,652	32,072	305,762	327,399	293,162	235,513
PSPP	28,397	7,420	13,473	23,270	8,239	27,014	22,109	16,903	29,798	13,389	10,251	24,924	225,187	252,715	213,446	175,897
CSPP	2,398	1,741	5,580	2,432	4,919	3,455	3,716	5,038	2,172	681	3,941	3,320	39,393	41,212	41,071	29,674
CBPP3	3,692	1,216	5,765	2,093	4,493	2,695	4,251	3,938	2,653	2,262	3,429	3,695	40,182	31,663	37,700	29,509
ABSPP	53	52	462	73	111	17	11	30	16	11	31	133	1,000	1,809	945	433

PEPP: Portfolio development



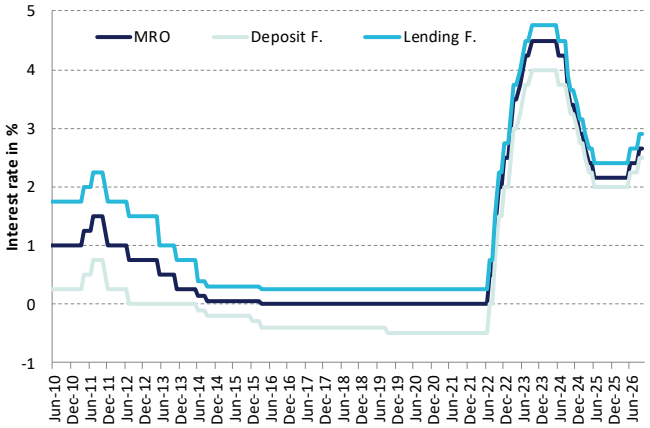
PEPP: Portfolio structure



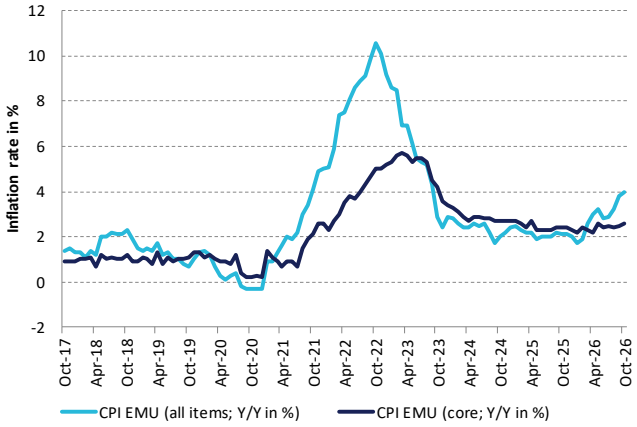
Source: ECB, NORD/LB Floor Research

Charts & Figures
Cross Asset

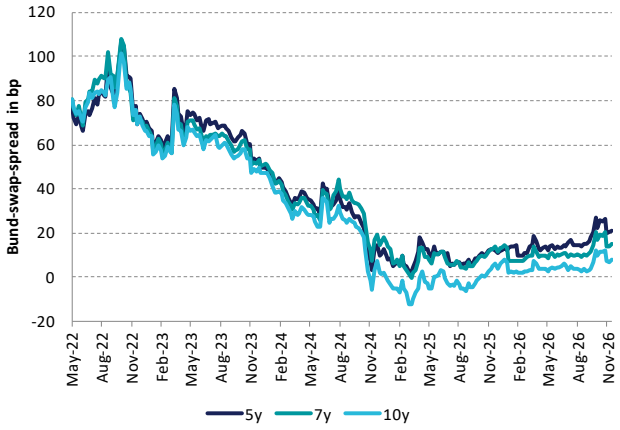
ECB key interest rates



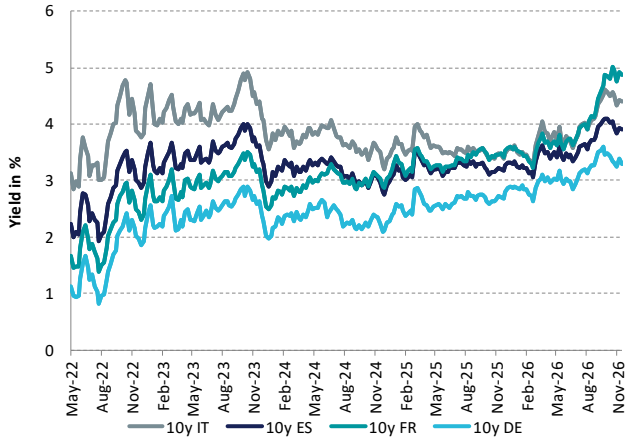
Inflation development in the euro area



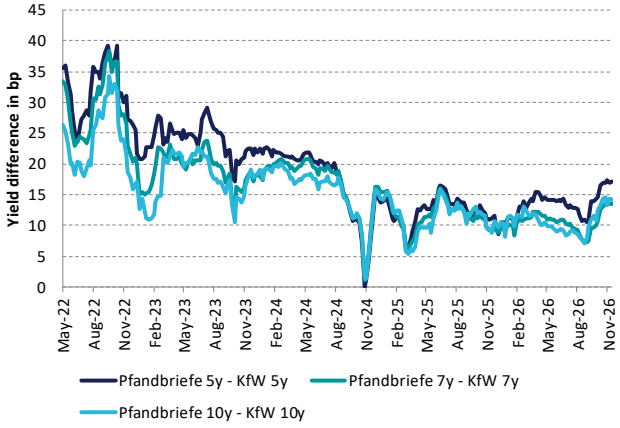
Bund-swap-spread



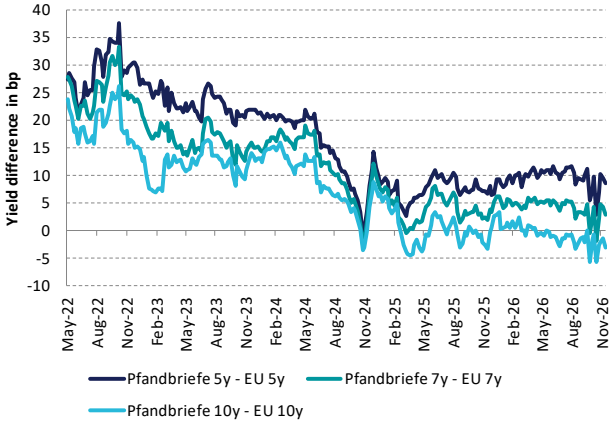
Selected yield developments (sovereigns)



Pfandbriefe vs. KfW



Pfandbriefe vs. EU



Source: ECB, Bloomberg, NORD/LB Floor Research

Appendix
Overview of latest Covered Bond & SSA View editions

Publication	Topics
34/2026 // 18 November	▪ Development of the German property market (vdp index) ▪ Teaser: Beyond Bundeslaender – Belgium
33/2026 // 11 November	▪ Belgian covered bonds overshadowed by high public debt ▪ 36th meeting of the Stability Council
32/2026 // 04 November	▪ The covered bond universe of Moodys: an overview ▪ Update: Canadian pension funds in the SSA market
31/2026 // 28 October	▪ Cross Asset: Relative Value – yellow card shown by the market
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

NORD/LB:	NORD/LB:	NORD/LB:	Bloomberg:
Floor Research	Covered Bond Research	SSA/Public Issuers Research	Weekly: DS NDB <GO>

Appendix
Publication overview

Covered Bonds:

Issuer Guide – Covered Bonds 2026

Risk weights and LCR levels of covered bonds (updated 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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Institutional Sales MM/FX	+49 511 361-9460
Retail & Structured Products	+49 511 361-9420

Trading

Covereds/SSA	+49 511 9818-8040
Financials	+49 511 9818-9490
Governments	+49 511 9818-9660
Länder/Regionen	+49 511 9818-9660
Frequent Issuers	+49 511 9818-9640

Origination & Syndicate

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Origination Corporates	+49 511 361-2911

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