ECBC

EUROPEAN COVERED BOND COUNCIL

# 35TH ECBC PLENARY MEETING

## Porto, Portugal | 11 September 2024

PLATINUM SPONSORS

Bloomberg

BPI Grupo CaixaBank

Harley Dikkinson

LBBW

NORD/LB

novobanco

Santander

GOLD SPONSORS

FitchRatings

MOODY'S RATINGS

IN COLLABORATION WITH

Covered Bond Label

Invisso
The new name for Euromoney Conferences

Network : Porto.Free Wi-Fi (no password needed)

*Audiovisual notice: The Conference will be open to media. A photographer will be present at the event taking photographs for our internet / intranet webpage. If you prefer not to have your photograph taken, please approach the photographer directly. The event may be filmed and the video recording, or parts of it, may be published on the internet / intranet.*

# 35th ECBC Plenary Meeting

## Porto, 11 September 2024

Dear Delegate,

We are delighted to welcome you to Porto, to the *Aula Magna* of the covered bond community, for the 35th ECBC Plenary Meeting. Ours is a global community that, over the years and throughout past crises, has been able to transform challenges into opportunities by adopting market leadership to find workable and sustainable compromises, share and develop market best practices, and drive forward deep technical market knowledge.

ECBC plenaries are the places where we can learn, team-up, where we can disagree, where we can change opinions and where we can co-construct solutions. In short, the Plenary is where we can shape the market of tomorrow.

The ECBC plays the role of a market lighthouse in times of crisis and, outside of these, seeks to constantly build and reinforce the bridges that allow us to go beyond existing borders both geographically and intellectually. It is with this mindset that the ECBC has brought the Plenary Meeting to the magnificent city of Porto for the first time and we look forward to today's discussions and invite your active participation. We know that we are different, but these differences make us richer by stimulating debate and offering opportunities to learn from one another.

We would like to express our deep gratitude to the Portuguese covered bond community and all the sponsors for supporting the organisation of this Plenary Meeting. Specifically, we would like to thank **Bloomberg, Banco BPI, Fitch Ratings, Harley & Dikkinson, LBBW, Moodys Ratings, NORD/LB, Novobanco** and **Santander**. We are all eager to learn more about the key issues and trends currently shaping the debate around housing markets and their refinancing needs around the globe. These discussions will continue at tomorrow's Covered Bond Congress, organised in cooperation with our friends at Invisso, who are also kindly hosting today's post-Plenary welcome Congress Reception. We hope to see you at both these events as well.

The coming 12 months are likely to bring about significant political upheaval in many regions of the world, Europe included, which may have subsequent impacts on the financial markets we are part of. Experience shows that by coming together in forums such as the Plenary, we are stronger as a community, better placed to meet whatever those future challenges may be and to transform them into opportunities.

Thank you for joining us today and enjoy the event.

**Luca Bertalot**
**EMF-ECBC Secretary General**

# Foreword of the ECBC Covered Bond Fact Book

The publication of this year's European Covered Bond Council (ECBC) Covered Bond Fact Book, the 19th edition, comes in a critical geopolitical moment and at the dawn of a new political agenda for the European Institutions which envisages a new role for the Capital Markets Union (CMU) Initiative against the backdrop of the European Banking Authority's (EBA) assessment of the EU covered bond framework. All of these developments are taking place in conjunction with the ongoing battle against inflation, which has seen central banks setting a new monetary policy landscape, and which is highlighting once again the anti-crises nature of the covered bond asset class and its offer of stable and robust long-term financing, coupled with efficient asset liability management. During the recent months of market turmoil and volatility of deposits, lenders have been able to secure access to capital market funding by relying on the 250 years' old DNA of covered bonds and their macroprudential characteristics, including low volatility, exceptionally low transaction execution risk, superb credit ratings and decreased refinancing costs, and limit banks' reliance on riskier funding means and interbank markets.

This anti-cyclical, long-term financing instrument has become a pillar of financial stability and is the nexus between harmonised European financial innovation and the traditions that sit within national legal frameworks.

Together, via the harmonisation and convergence of efforts through the entry into force of the Covered Bond Directive and the ongoing pursuit of third-country equivalence for non-EEA countries, our industry continues to push geographical barriers.

In this context, the present publication stands as an Industry transparency and information toolkit offering a deep-dive into the covered bond world, summarising the latest market trends, providing a statistical overview and compiling detailed legal information, jurisdiction by jurisdiction. Moreover, the Fact Book sheds light on the potential of this asset class to support the transition to a climate-neutral economy through covered bonds' pivotal role in forging a path to sustainable growth, stability, shared prosperity and, in the end, a brighter future for all. The covered bond market continues to evolve and expand, transcending borders and bridging gaps between capital markets and the real economy.

The ECBC Covered Bond Fact Book together with the Covered Bond Label comparative database serve as a map and compass, guiding market participants, regulators and policymakers through the intricacies of the covered bond market. This compendium of market developments encompasses the essence and collaborative spirit of the ECBC members' work, which amalgamates different cultures, perspectives as well as, more importantly, legal and financial features defined by a common qualitative and quantitative perimeter. Over the years, this collaborative and constructive approach has become the true fil rouge of our Industry's modus operandi i.e., always ready to adapt to challenges whilst preserving asset quality and ensuring investor protection. The Fact Book represents the collective effort of our community to produce a prime academic and statistical benchmark publication, whilst coordinating a discussion forum involving over 2,000 covered bond experts and aficionados around the globe.

Over time, this community has been able to foster a covered bond philosophy with clear macroprudential characteristics for investors, thereby ensuring capital market accessibility and financial stability for mortgage and housing markets.

More importantly, beyond the purely financial aspects, for most jurisdictions the introduction of covered bonds has also resulted in the provision of more affordable mortgages, more funding choices for lenders and more long-term borrowing options for consumers when they make the biggest investment of their life.

On a daily basis, capital market participants need complete and accurate information to support regulatory compliance with the Covered Bond Directive, LCR eligibility and ESG-related diligence matters, to name but a few priorities, and this need is growing all the time. This is where the ECBC comes into its own. The ECBC-led Covered Bond Label[1], has become a qualitative benchmark as an informative gateway into the covered bond space.

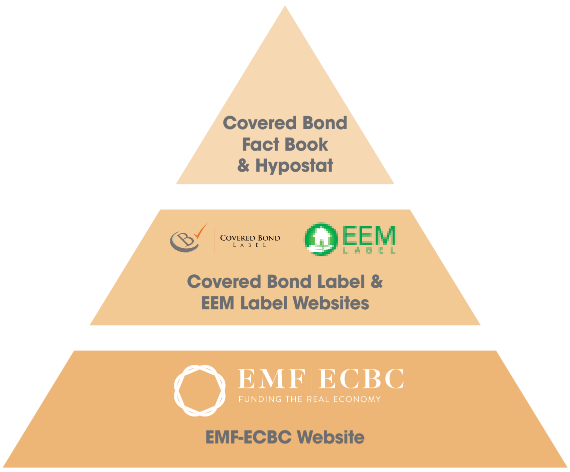
Most recently, the ECBC has completely refreshed its Comparative Database[2] on global covered bond legislative frameworks, which is embedded in the Covered Bond Label website.

During the recent periods of market turmoil, pandemic and technological innovation, the EMF-ECBC has played a prominent role as a market catalyst through its efforts to monitor and align best practices. Furthermore, through its technical committees, working groups and task forces, the EMF-ECBC has developed technical knowledge and centres of competence in relation to both the mortgage and covered bond businesses, with a focus on retail considerations, property valuation, prudential regulation, funding strategies, to name but a few key areas. By adopting a "think-tank" approach and adhering to a clear

1 www.coveredbondlabel.com
2 https://compare.coveredbondlabel.com

global market governance structure, the EMF-ECBC has applied this expertise to help minimise market disruption. At the same time, it has sought to deliver active coordination and implementation of initiatives aimed at harmonising procedures, standards, definitions and solutions, for example via the Covered Bond Label[3] and its Harmonised Transparency Template (HTT), the Energy Efficient Mortgages Initiative (EEMI)[4] or the Energy Efficient Mortgage Label (EEM Label)[5] and its Harmonised Disclosure Template (HDT).

Significantly, all of this know-how and expertise can be accessed by way of a unique information "pyramid" which offers market participants with direct and rapid access to a wide variety of information and data on specific national markets or on European/global market and policy trends. The content and structure of this pyramid is fine-tuned on a regular basis with market participants in the covered bond and mortgage spaces.




The operational entry level of the pyramid is the EMF-ECBC website[6] through which the EMF-ECBC provides access to all position papers, studies and analysis produced by its technical committees and working groups, offering a valuable window into the potential of current and future legislative and market evolutions. The EMF-ECBC website furthermore provides links to its member organisations, giving an insight into the experts behind the knowledge.

Stepping up a level, the next layer of the pyramid consists of the Covered Bond Label website, where around EUR 2 trillion of covered bonds outstanding are officially registered. The Covered Bond Label website offers a unique level of transparency as the data it holds is managed directly by issuers, ISIN by ISIN, bond by bond, on: (1) liabilities' characteristics; (2) cover asset data via the Harmonised Transparency Template (HTT); and (3) the features of national legislation, which are summarised and comparable at global level. In a similar way, on the ESG lending side, the EEM Label website offers transparency in the energy efficient mortgages space for consumers, lenders and investors.

At the top of the pyramid are the EMF-ECBC's flagship publications offering a deeper dive into market dynamics and legislative developments: the ECBC Fact Book and the EMF Hypostat. The ECBC Fact Book crowns the Covered Bond Label website and Comparative Database with its insights into key themes and trends having impacted the covered bond space in the previous year, national legislation, summaries of the overarching macroprudential value and regulatory treatment of the asset class, as well as synopses of rating agencies' methodologies. Through the Hypostat, the EMF-ECBC delivers a unique analysis of trends in Europe's mortgage and housing markets, offering a comprehensive asset side perspective of mortgage market dynamics and national characteristics for investors and other market participants.

Presently, this information pyramid acts as an operational magnifying glass which guides market participants through the labyrinth of compliance with the Covered Bond Directive, providing legal details, hard data and intelligence, all of which is crucial for investor due diligence. The pyramid's cornerstone lies in the compliance disclosure requirements, with the Covered Bond Label's HTT being fully aligned to Article 14 of the Directive.

At the global level, the ongoing prospect of a third-party equivalence regime is boosting the interest in adopting covered bond legal frameworks and helping to make compliance with the qualitative standards foreseen in the Directive a clear point of reference for regulators and legislators.

Access to information, market guidance and harmonisation efforts are the secret ingredients which make the covered bond space a unique area of the market rooted in stakeholder confidence that, in turn, represents the real essence of the crisis management capabilities of the covered bond asset class.

The EMF-ECBC has always sought to be part of the solution and, through the recent market turmoil, has activated the Industry's best resources to monitor, analyse, discuss and guard against potentially negative impacts for mortgage, housing and funding markets worldwide. As a community, the EMF-ECBC remains committed to supporting the transition to a more sustainable economy and society, encouraging countries to move towards a more sustainable capital markets infrastructure, and supporting consumers and borrowers in turning the current challenges into opportunities.

After so many years, there is no doubt that we are stronger together and we would like to thank all ECBC members for their input, engagement and continued support. We would particularly like to express our gratitude to the contributors to this year's publication for their work in ensuring that this 19th edition of the ECBC European Covered Bond Fact Book remains:

> The leading source of covered bond market intelligence; and

> The primary source for aggregate covered bond market data and statistics, and a comparative framework analysis.

**Stefano Patruno, ECBC Chairman**
**Luca Bertalot, EMF-ECBC Secretary General**

3 www.coveredbondlabel.com
4 www.energyefficientmortgages.eu
5 www.energy-efficient-mortgage-label.org
6 https://hypo.org

# Programme of Events

All times WEST

## Monday, 9 September 2024

| | |
|---|---|
| **18:00 – 19:30** | **GUIDED TOUR**<br>OF THE FERREIRA WINE CELLARS<br>Av. Ramos Pinto 70, 4400-082, Vila Nova de Gaia, Porto |
| **19:30 – 22:30** | **WELCOME DINNER**<br>IN THE FERREIRA WINE CELLARS<br>Av. Ramos Pinto 70, 4400-082, Vila Nova de Gaia, Porto |

## Tuesday, 10 September 2024

| | |
|---|---|
| **8:30 – 9:00** | **WELCOME COFFEE**<br>IN THE PALÁCIO DA BOLSA<br>Rua Ferreira Borges, 4050-253 Porto |
| **9:00 – 12:00** | **EMF-ECBC ACADEMY TRAINING & MARKET UPDATE ON "IMPACTS OF BASEL III, VALUATION, ESG & SUSTAINABLE FINANCE DEBATES ON COVERED BONDS"**<br>IN THE AUDITORIO ANTONIO CALEM, PALÁCIO DA BOLSA<br>Rua Ferreira Borges, 4050-253 Porto |
| **12:00 – 13:00** | **BUFFET LUNCH**<br>IN THE PALÁCIO DA BOLSA<br>Rua Ferreira Borges, 4050-253 Porto |
| **13:00 – 14:00** | **COVERED BOND LABEL FOUNDATION (CBLF) LABEL COMMITTEE MEETING**<br>IN THE JURY ROOM, PALÁCIO DA BOLSA<br>Rua Ferreira Borges, 4050-253 Porto<br>*(Only open to Members of the Covered Bond Label Committee)* |
| **14:00 – 16:00** | **EUROPEAN COVERED BOND COUNCIL (ECBC) STEERING COMMITTEE MEETING**<br>IN THE JURY ROOM, PALÁCIO DA BOLSA<br>Rua Ferreira Borges, 4050-253 Porto<br>*(Only open to Members of the ECBC Steering Committee)* |
| **14:30 – 16:00** | **COVERED BOND ROUNDTABLE FOR INVESTORS & AUTHORITIES**<br>IN THE MINHO ROOM, PALÁCIO DA BOLSA<br>Rua Ferreira Borges, 4050-253 Porto<br>*(Only open to representatives of national/international regulatory authorities, investors in covered bonds and guests invited by the Secretariat)* |
| **16:00 – 16:30** | **COFFEE BREAK**<br>IN THE PALÁCIO DA BOLSA<br>Rua Ferreira Borges, 4050-253 Porto |

| | |
|---|---|
| 16:30 – 17:30 | **JOINT MEETING OF AUTHORITY & INVESTOR REPRESENTATIVES WITH THE ECBC STEERING & COVERED BOND LABEL COMMITTEES**<br>IN THE COURT ROOM, PALÁCIO DA BOLSA<br>Rua Ferreira Borges, 4050-253 Porto<br>*(Only open to members of the ECBC Steering and Covered Bond Label Committees and representatives of national/international regulatory authorities, investors in covered bonds and guests invited by the Secretariat)* |
| 18:30 – 19:30 | **INVESTORS' APERITIF**<br>IN THE HALL OF NATIONS, PALÁCIO DA BOLSA<br>Rua Ferreira Borges, 4050-253 Porto |
| 19:30 – 22:30 | **35TH ECBC PLENARY DINNER**<br>IN THE ARABIAN ROOM, PALÁCIO DA BOLSA<br>Rua Ferreira Borges, 4050-253 Porto |

## Wednesday, 11 September 2024

| | |
|---|---|
| 9:00 – 16:30 | **35TH ECBC PLENARY MEETING**<br>IN THE PALÁCIO DA BOLSA<br>Rua Ferreira Borges, 4050-253 Porto |
| 9:00 – 16:30 | **4TH EEMI SUSTAINABILITY AND DIGITALISATION PAVILION**<br>IN THE PALÁCIO DA BOLSA<br>Rua Ferreira Borges, 4050-253 Porto |
| 17:00 – 00:00 | **INVISSO PRE-CONGRESS PARTY**<br>IN THE BARON'S HALL & GALLERY<br>Av. Dom João II, 4430-415 Vila Nova de Gaia, Porto |

## Thursday, 12 September 2024

| | |
|---|---|
| 9:00 – 17:00 | **INVISSO – ECBC COVERED BOND CONGRESS 2024**<br>IN THE EUROPARQUE<br>Rua Interior do Europarque, Apartado 160, 4520-153 Santa Maria da Feira, Porto |

## Friday, 13 September 2024

| | |
|---|---|
| 9:30 – 12:00 | **ECBC GLOBAL ISSUES WORKING GROUP MEETING**<br>IN THE INTERCONTINENTAL PORTO – PALACIO DAS CARDOSAS<br>Praça da Liberdade 25, 4000-322 Porto |

# EMF-ECBC Academy Training & Market Update

## Capital Markets Union: Impacts of Basel III, Valuation, ESG & Sustainable finance debates

Auditorio Antonio Calem, Palácio da Bolsa
Rua Ferreira Borges, 4050-253 Porto
**8:30-13:00 WEST**

## Tuesday, 10 September 2024

| | |
|---|---|
| 8:30 | REGISTRATION AND WELCOME COFFEE |
| 9:00 | WELCOME & INTRODUCTIONS<br>**Luca Bertalot,** EMF-ECBC Secretary General |
| 9:10 | COVERED BONDS MARKET STATISTICS: OVERVIEW<br>**Joost Beaumont,** ABN AMRO |
| 9:30 | BASEL III - LATEST STATE OF PLAY IN EU & USA<br>**Wolfgang Kälberer,** EMF-ECBC<br>**Anna Pinedo,** Mayer Brown |
| 10:10 | BASEL III – COVERED BONDS & REGULATORY DATA<br>**Georges Gras,** Bloomberg |
| 10:30 | PROPERTY VALUATION & SETTING STANDARDS IN A SECURED LENDING CONTEXT<br>**Alexander Aronsohn,** International Valuation Standards Council (IVSC) |
| 10:50 | COFFEE BREAK |
| 11:20 | CLIMATE RISK: PHYSICAL RISK & EXPECTED LOSS – EVIDENCE FROM THE USA<br>**Gianluca Mattarocci,** University of Rome Tor Vergata |
| 11:40 | CAPITAL MARKETS UNION: THE DIGITAL FUTURE<br>**Patrick Seifert,** LBBW<br>**Bodo Winkler,** BerlinHyp |
| 12:10 | BUILDING A GREEN/TAXONOMY ALIGNED COVERED BOND PROGRAMME – THE CAJA RURAL DE NAVARRA EXPERIENCE<br>**Miguel García De Eulate Martín,** Caja Rural de Navarra |
| 12:30 | CONCLUDING REMARKS<br>**Luca Bertalot,** EMF-ECBC Secretary General |
| 12:35 | BUFFET LUNCH |
| 13:20 | END OF EVENT |

# Investors' Aperitif

Hall of Nations, Palácio da Bolsa
Rua Ferreira Borges, 4050-253 Porto
**18:30-22:30 WEST**

## Tuesday, 10 September 2024

| | |
|---|---|
| 18:30 – 18:40 | OPENING REMARKS: INVESTORS' PERSPECTIVES<br>**Olaf Pimper,** Commerzbank |
| 18:40 – 18:50 | DATA ACCURACY AND TRANSPARENCY BEST PRACTICES IN THE COVERED BONDS SPACE<br>**Sven Gerhardt,** Bloomberg |
| 18:50 – 19:00 | DIGITALISATION AND GREEN BONDS, A SOLUTION FOR INVESTORS?<br>**Joop Hessels,** ABN AMRO |
| 19:00 – 19:30 | DRINKS |
| 19:45 – 20:05 | FADO SHOW<br>*Singers accompanied by dancers and instruments will perform Portuguese traditional lyre.* |
| 20:05 – 20:15 | SPEECH<br>**Oscar Mgaya,** Chairman of ISMMA & Chief Executive Officer of Tanzania Mortgage Refinance Company |
| 20:30 – 22:30 | DINNER<br>ARABIAN ROOM |

# 35th ECBC Plenary Meeting - Agenda

Palácio da Bolsa
Rua Ferreira Borges, 4050-253 Porto
**8:30-16:30 WEST**

## Wednesday, 11 September 2024

| | |
|---|---|
| 8:30 | REGISTRATION AND WELCOME COFFEE |
| 9:00 | ECBC CHAIRMAN'S NOTE<br>**Stefano Patruno,** Chairman of the ECBC |
| 9:05 | AGENDA OVERVIEW<br>**Luca Bertalot**, European Mortgage Federation – European Covered Bond Council (EMF-ECBC) |
| 9:10 | KEYNOTE SPEECH<br>**Sandra Cardoso**, Portuguese Securities Market Commission (CMVM) |
| 9:25 | THE PORTUGUESE COVERED BOND MARKET: LATEST DEVELOPMENTS & TRENDS – SESSION ONE<br>MODERATOR **Cláudio Domingues**, Millennium bcp<br>PANELLISTS **Nuno Duarte**, Novobanco<br>**Joana Guerreiro**, Santander Portugal<br>**Jorge Filipe Nunes**, Banco BPI<br>**Orlando Vogler Guiné**, Vieira de Almeida<br>→ *Through thick and thin – the role of covered bonds in the Portuguese banking system and economy to this day.*<br>→ *Are we back? The present and future of covered bonds in the Portuguese funding landscape.*<br>→ *Law of the land – key enhancements and challenges of the new Portuguese legal and regulatory framework.*<br>→ *News from the road – recent investors' feedback and market reaction.*<br>→ *ESG and ESN – how ready and keen and are we on these three-letter trends?* |
| 10:10 | CAPITAL MARKETS UNION – OVERVIEW – SESSION TWO<br>MODERATOR **Luca Bertalot,** EMF-ECBC<br>PANELLISTS **Gábor Butor,** Hungarian Ministry for National Economy<br>**Roberta De Filippis,** European Banking Authority<br>→ *What are the major expected policy developments over the coming months?*<br>→ *What are the roles of covered bonds and securitisations in this context?*<br>→ *Capital Markets Union (CMU), Transition Economy & Housing: where can we help?* |

| | |
|---|---|
| **10:55** | **CB MARKET INITIATIVES – SESSION THREE** |
| | MODERATOR **Stefano Patruno**, Chairman of the ECBC, Intesa Sanpaolo |
| | PANELLISTS **Elena Bortolotti**, Chairwoman of ECBC Rating Agency Approaches Working Group, Barclays CIB<br>**Vessela Krmnicek**, Fitch Ratings<br>**Patrick Seifert**, LBBW<br>**Juan Pablo Soriano**, Moodys Ratings |
| | → *How to support the European Banking Authority's (EBA) analysis of the covered bond market?*<br>→ *Covered Bonds, European Secured Notes (ESNs) & Energy Efficient Mortgages: how can the market support the policy agenda here?*<br>→ *Covered Bond Space: Balancing domestic needs with a global vision – what comes next?* |
| **11:40** | **COFFEE BREAK** |
| **12:00** | **KEYNOTE SPEECH** |
| | **André Küüsvek,** Nordic Investment Bank |
| **12:15** | **GLOBAL PERSPECTIVES FOR COVERED BONDS – SESSION FOUR** |
| | MODERATOR **Colin Chen**, Association of Banks Singapore & Chairman of ECBC Global Issues Working Group |
| | PANELLISTS **Fiona Chan**, Barclays UK<br>**Lily Shum**, Canada Mortgage & Housing Corporation<br>**William Symington**, Íslandsbanki |
| | → *Latest global market and legislative developments.*<br>→ *Third-party equivalence implications.*<br>→ *How to build a solid global investor base.* |
| **13:00** | **LUNCH BREAK** |
| **14:15** | **KEYNOTE SPEECH** |
| | **François Haas**, Banque de France & ACPR |
| **14:30** | **HOW TO SUPPORT THE TRANSITION ECONOMY & IMPLEMENTATION OF THE EPBD – SESSION FIVE** |
| | MODERATOR **Luca Bertalot**, EMF-ECBC |
| | PANELLISTS **Nikos Chrysogelos**, Deputy Mayor of Athens for Climate Governance & Social Economy<br>**Sanna Eriksson**, ECBC Deputy Chairwoman & OP Financial Group<br>**Frederik Kunze**, NORD/LB<br>**Sergiu Oprescu**, European Mortgage Federation (EMF) Deputy Chairman & Alpha Bank |
| | → *Energy Performance of Buildings Directive (EPBD): financial opportunities versus practical/legal challenges*<br>→ *Capital Markets: are they ready to support the transition for municipalities, regions and countries?*<br>→ *What are the tools at the market's disposal:*<br>• *Covered Bonds (public, mortgage and ship)*<br>• *European Secured Notes (ESNs)*<br>• *Securitisations* |

| | |
|---|---|
| **15:15** | **ACCELERATING THE CLIMATE TRANSITION: THE EEMI ECOSYSTEM – SESSION SIX**<br>MODERATOR **Jennifer Johnson**, EMF-ECBC<br>PANELLISTS **Daniela Antonini**, Banco BPM<br>**Rubens Bernascone**, Harley & Dikkinson<br>**Federica Selleri**, CRIF<br>→ *De-risking Energy Efficiency Investments: from robust analysis to stronger renovation processes*<br>→ *Putting the "Green V" in the LTV: capacity building in property valuation*<br>→ *Closing the Circle: from origination to funding* |
| **16:00** | **THE COVERED BOND & ENERGY EFFICIENT MORTGAGE LABELS**<br>**Luca Bertalot**, EMF- ECBC |
| **16:15** | **CLOSING REMARKS**<br>**Stefano Patruno**, ECBC Chairman<br>**Sanna Eriksson**, ECBC Deputy Chairwoman |
| **16:30** | **END OF PLENARY MEETING** |

# Speakers

## Daniela ANTONINI

### Head of Sustainable Funding & Advisory, Banco BPM

After 10 year experience in major international consultancy firms, Daniela joined Banco BPM as Head of ABS and Covered Bonds being involved in the setup of two Covered Bond Programs and several ABS transactions. Since 2017, she has been involved in the Funding and Capital Management Team as reference for the Sustainable finance of Banco BPM.

She is now Head of Sustainable Funding & Advisory and manages the Green, Social and Sustainability Bonds Framework of Banco BPM, the Green and Social bonds issuances on the market as well as the allocation and impact reporting for investors. She is also in charge of advisory activity on sustainability topics for the other Departments of Bank and for investments.

Daniela holds a degree in Economic and Banking from the University of Siena (with 110/110 cum Laude). She is currently enrolled in MIT Sustainability Program.

---

## Alexander ARONSOHN

### Technical Director, International Valuation Standards Council (IVSC)

Alexander Aronsohn FRICS is a Chartered Surveyor with long and wide-ranging experience of over thirty years encompassing residential asset management, commercial and residential development, rating, national and international valuation and investment.

Alexander is the IVSC Technical Director and assists the IVSC Standards Review Board and the Tangible Assets Board on drafting IVS, perspectives papers, presentations, training, and articles.

Prior to joining the IVSC Alexander was the RICS Director of Technical Standards.

---

## Joost BEAUMONT

### Head of Bank Research, ABN AMRO

Joost Beaumont is the Head of Bank Research at ABN AMRO with lead responsibility for covered bonds and financials, focusing on the euro-denominated market. He has been part of Group Economics since 2010 and is a member of the Financial Markets Research team. He has been looking at the covered bond and bank bond markets for more than ten years now. He is also the Chairman of the Statistics & Data Working Group of the European Covered Bond Council.

Previously, Joost worked as a senior European Economist, having extensive expertise in the field of the European debt crisis as well. He also worked in the International Economic Research team of Fortis Global Markets, while he spent nearly seven years as a policy advisor at the central bank of the Netherlands Antilles. Joost studied macroeconomics at the University of Amsterdam from 1993 to 1998.

## Rubens BERNASCONE

### Sustainability Strategist and Business Developer, Harley&Dikkinson

After completing his studies in Economics and Sustainable Business Development, Rubens Bernascone started working as a dedicated business developer, leading several projects and events that intertwine the themes of sustainability, green finance and social innovation. Over the past twelve years, he has built impactful partnerships with leading Italian companies, assisting them in formulating sound sustainability strategies.

More recently, he has channelled his experience to bridge the knowledge gap between large corporations and small and medium-sized enterprises (SMEs), as well as the dynamic real estate sector. He strongly believes that their active involvement is a cornerstone in realising the ambitious EU Net Zero goal.

---

## Luca BERTALOT

### Secretary General, EMF-ECBC

Luca Bertalot is Secretary General of the European Mortgage Federation - European Covered Bond Council (EMF-ECBC), representing the interests of EU mortgage lenders and the covered bond community in discussions with the European Institutions and stakeholders in general on all issues relating to the retail and funding sides of the mortgage business. Established in 1967, the EMF is the voice of the European mortgage industry, providing data and information on European mortgage markets, which were worth over €9 trillion at the end of 2023 (EU27 + UK, Norway and Iceland). In 2004 the EMF founded the ECBC, a platform that brings together covered bond market participants including issuers, analysts, investment bankers, rating agencies and a wide range of interested stakeholders. ECBC members represent over 95% of covered bonds outstanding, which were worth over €3.3 trillion at the end of 2023.

In his capacity as EMF-ECBC Secretary General, Luca is also Consortium Coordinator for the Energy Efficient Mortgages Initiative (EEMI). In addition, Luca is a member of the European Commission's Sustainable Energy Investment (SEI) Forum's Advisory Group, the Advisory Board of the Ca' Foscari University of Venice's Economics Department and a member of the Board of the Housing Finance Network (HOFINET).

Luca joined the EMF-ECBC in 2006, becoming Head of the ECBC in 2007 and was appointed Secretary General in 2014. Prior to this, he worked as a financial analyst in Italy and Australia. Luca holds a degree in Economics and Financial Markets from the University of Rome, Tor Vergata. He also studied at the University of Mannheim, Germany, and at the Wharton School – University of Pennsylvania, in the United States.

---

## Elena BORTOLOTTI

### Current Managing Director & Global Head of Covered Bonds and Head of Structured Solutions for EME, Barclays

Elena Bortolotti is a Managing Director and Global Head of Covered Bonds & Head of Structured Solutions for EME at Barclays. She joined Barclays' securitisation and covered bond structuring team in January 2006. She has worked on structuring legislative and structured covered bonds across jurisdictions and securitisations backed by various assets classes including: residential mortgages, consumer loans, SME loans and trade receivables. Her focus has been in establishing covered bond programmes in new jurisdictions (including Iceland, Czech Republic, Turkey, Singapore, Poland, Japan and Romania).

Before joining Barclays, Elena spent four years with the Italian securitisation team at Deloitte Consulting in Milan working on both Italian and Greek securitisations. Elena is Chairwoman of the ECBC Rating Agency Working Group 2024-2027.

## Gábor BUTOR

### Senior EU Ecofin Policy counsellor, Hungarian Ministry for National Economy

Gábor Butor is working currently – since February 2024 – at the Ministry for National Economy, as senior EU policy advisor, relating to EU financial regulation files, mainly in capital markets and banking dossiers. He is here now part of the rotating Hungarian EU Council Presidency senior experts team, in financial services.

Gábor Butor has 30+ years financial market experience, including foreign exchange interbank trading (specialist in CE3 and G10 currencies) along with Money Market and Fixed Income trading experience and international relations management in ALM- Markets-Treasury front end business, with strong knowledge of wide range of financial market instruments.

He was a lead negotiator for EU Council Hungarian Presidency of H1 2011 on European Markest Infrastructure Regulation (EMIR) and has a strong track record across FX markets post trade infrastructure (CLS) and financial markets policy general managerial skills.

Gábor Butor was a leader of Treasury and Debt Capital Market activities in Erste Mortgage Bank Zrt. (2021-2023).

## Sandra CARDOSO

### Head of the Issuers Department, Portuguese Securities Market Commission (CMVM)

The department oversees the authorisation process for covered bond programmes, as well as the supervision of listed companies, and the review and approval of prospectuses and securitisations in Portugal.

Sandra Cardoso holds a law degree from Universidade Nova de Lisboa and an LLM in Commercial Law from Erasmus University. Prior to joining CMVM, Sandra worked at one of Portugal's largest law firms, specialising in banking and finance/capital markets.

## Fiona CHAN

### Head of Principal Funding & Securitisation, Barclays Bank UK PLC

Fiona Chan heads up the Principal Funding and Securitisation team for Barclays Bank UK PLC. She is responsible for the secured funding programmes, central bank collateral and risk transfer transactions across all asset classes in BBUK.

Prior to heading up the team, Fiona spent 7 years in the team with a focus on covered bonds and other mortgage backed funding programmes in the UK and Europe. Fiona joined Barclays in 2010 from the Deloitte securitisation team.

## Colin CHEN

### Managing Director & Global Head Structured Debt Solutions, Global Financial Markets, DBS Bank

Colin Chen is the managing director and global head of structured debt solutions at DBS Bank. He has more than 25 years of investment banking and structured capital markets experience and is responsible for building and expanding DBS' push to provide its clients structured fund-raising solutions. He was previously the regional head of securitisation and financial engineering at The Bank of Tokyo-Mitsubishi UFJ., Ltd where he successfully expanded the firm's presence in non-Japan Asia. He started his career at the Union Bank of Switzerland in 1995 and was involved in establishing and building out the Asian asset backed finance business for Asia and has held similar senior positions at CIBC World Markets and Bank of America. Colin has worked in the public, private and asset backed CP markets and has transaction experience in auto receivables, mortgages, credit cards, consumer loans, trade receivables, leases and collateralised loan and bond obligations. He is currently serving as the Association of Banks in Singapore's chairman of the standing committee on covered bonds and elected as the European Covered Bond Council's chairman of the global issues working group.

Colin holds a bachelor's degree in banking and finance from the University of Canberra and is a Fellow of the Financial Services Institute of Australia. He was also conferred the award of Fellow of the Institute of Banking and Finance in Singapore in 2017.

---

## Nikos CHRYSOGELOS

### Deputy Mayor of Athens for Climate Governance and Social Economy

From 1/1/2024 on, Nikos Chrysogelos is Deputy Mayor of Athens for Climate Governance and Social Economy, responsible also for civil protection. He is coordinating the preparation of the Climate Contract of Athens, in the framework of the EU's Mission of "100 Climate-Neutral and Smart Cities by 2030".

He is also a former member of the European Parliament 2/2/2012–1/7/2014, 4$^{th}$ Vice-chairman of Regional Development Committee (REGI) of the EP - Substitute member of Environment, Public Health and Food Security Committee (ENVI) and Regional Councillor in South Aegean (2010-2014).

Nikos is a founder of a number of citizens initiatives and civil society' organisations and President of the Board of the social cooperative Anemos Ananeosis / Wind of Renewal www.anemosananeosis.gr (2014-2023) and the environmental NGO MEDITERRANEAN SOS Network (1999-2009). He is also a project manager of the Ecological Recycling Society 1990-2008.

He is a member of the official list with certificated trainers on environmental issues created by the Greek Minister of Labour and also a manager and Environmental consultant for many european projects, training of trainers, educators, technicians and scientists on environmental and social issues related to sustainability. Lectures and teaching about sustainable development.

Key topics of interest: climate action, mitigation and adaptation, green transition, innovation, transition, marine and environmental protection, combating energy poverty, circular economy, social inclusion, intercultural dialogue, sustainable tourism, coastal management.

## Roberta DE FILIPPIS

### Team Leader – Securitisation & Covered Bonds, European Banking Authority

Roberta De Filippis is team leader of securitisation and covered bonds at European Banking Authority. Roberta has more than 8 years' experience as a senior policy expert in the Prudential Regulation and Supervisory Policy department where she is currently in charge of the work on securitisation and covered bonds. Her field of expertise include also credit risk and, in particular, internal rating-based models and credit risk mitigation. She has also been leading the EBA response to COVID-19 pandemic with particular reference to the Guidelines on payment moratoria. Prior to joining the EBA, she worked both in the private sector in credit risk management and in the research department of the Financial Conduct Authority (UK). She graduated in finance at University Bocconi (Italy) and specialised in financial economics at University College London (UK) where she has also worked as a research assistant. She has also completed a Ph.D. in economics at University of Rome Tor Vergata (Italy).

---

## Cláudio DOMINGUES

### Debt Capital Markets & Structured Finance, Millennium bcp

Cláudio Domingues joined Millennium bcp in 2007, since then with responsibilities over conducting the bank's own covered bond and securitisation market issuances, serving both the bank's medium-to-long term funding strategy and its regulatory capital requirements, by procuring solutions towards funding cost optimisation and regulatory capital relief. He is a member of the ECBC Steering Committee since 2019, where he has represented Portuguese covered bond issuers.

Beforehand, at Barclays Capital, in London, his focus was on originating real estate structured investment finance loans, subsequently distributed through the bank's CMBS conduit program, where he was also responsible for negotiating and executing the sale of subordinated commercial mortgage loans to specialist investment funds.

Earlier, at Cushman & Wakefield, London, he conducted feasibility studies on commercial real estate developments for pan-European development companies. He started his career as a building structural designer and project manager for engineering consultancies.

He graduated from Porto University with a degree in civil engineering and holds an MBA from Bayes Business School (formerly Cass BS), City University, London.

---

## Nuno DUARTE

### Head of Treasury and Financial Department, novobanco

Nuno Duarte joined novobanco in February 2021 as Head of Treasury and Financial Department. Before joining novobanco, Mr. Duarte was the regional head of the Asset and Liability management, Credit Portfolio Management and Strategic steering for the Americas at Credit Agricole CIB (CACIB) in New York for several years. Previously, he was involved on various projects in the investment banking industry in Paris for CACIB as well as for Société Générale CIB.

Mr. Duarte began his career in 2004 and he holds a master's degree in Risk and Asset management from Paris Saclay University and is PRM holder.

## Sanna ERIKSSON

### Managing Director, OP Mortgage Bank, Head of Investor Relations, OP Financial Group, Deputy Chairwoman, ECBC

Since 2019, Sanna Eriksson has been the Managing Director of OP Mortgage Bank and the Head of Investor Relations for OP Financial Group in Finland. She has worked in the Group since 2000 in various managerial positions and for the last 11 years in OP Mortgage Bank.

Green finance is close to Sanna's heart and under her leadership, OP Mortgage Bank has been the pioneer issuing the inaugural Green Covered Bond in Finland in 2021 and the next one in 2022.

Sanna actively contributes to the field by representing Finnish Covered Bond issuing entities in the European Covered Bond Council´s (ECBC) Steering Committee as its Deputy Chairwoman. In 2019, Sanna became a member of Finance Finland's Mortgage Bank Committee and, as of 2023 she has been its chairwoman.

Sanna holds a degree in Marketing from Helsinki School of Economics and finds sustainability to be an integral part of her life both on and off work.

## Miguel GARCÍA DE EULATE MARTIN

### Head of Treasury and Capital Markets, Caja Rural de Navarra

Miguel García de Eulate is head of treasury and capital markets at Caja Rural de Navarra (CRN, Pamplona) where he is responsible for the bank's liquidity management and funding strategy, including bond issuance under CRN's sustainability framework. CRN is a member of the Spanish Caja Rural Group Association (AECR, Madrid), where Mr García de Eulate currently participates in working groups and task forces to implement and develop capital markets related issues at a national level.

He is also a member of the financial markets and sustainable finance working groups of the European Association of Cooperative Banks (EACB, Brussels). Previously he has worked in various positions in the credit risk and corporate departments for this Spanish regional cooperative bank.

He graduated in economics and business administration from Deusto University (Spain) and holds a postgraduate certificate in sustainable business from the University of Cambridge (UK).

## Sven GERHARDT

### EMEA Fixed Income Data Manager, Bloomberg

Sven Gerhardt is an EMEA Fixed Income Data Manager at Bloomberg L.P. in Frankfurt. With his extensive experience in fixed income markets, he possesses deep subject matter expertise across various areas within this field. Prior to his role at Bloomberg, Sven led the European Trading Government Bond Desk at a prominent international investment bank, where he focused on electronic trading. Leveraging this expertise, he later contributed to the design of a leading electronic bond trading platform in an emerging market.

In his current role at Bloomberg, Sven oversees a team responsible for managing the reference data related to new bond issuance and corporate actions in the DACH region (Germany, Austria, and Switzerland). Additionally, he is in charge of the data associated with Cover Pools in the covered bond market on a global scale. His work ensures the accuracy and integrity of critical financial data, which is essential for market participants.

Sven also plays an active role in shaping industry standards as a member of the DIN/ISO working group for reference data in financial services. His contributions to this group highlight his commitment to enhancing data quality and consistency across the financial industry.

## Georges GRAS
### Product Manager, Bloomberg

Georges Gras is a Product Manager in Bloomberg's Regulatory Data Solutions group, primarily looking after the suite of Regulatory Capital Products, including HQLA, Collateral Tagging, Credit Risk Weight. He has almost ten years of experience working in Basel Regulation related projects.

In his current role, he designs, develops and implements solutions that help clients to comply with various regulation standards. Georges holds a degree in Big Data Analytics from University of Liverpool.

## Joana GUERREIRO
### Head of Financial Markets, Santander Portugal

Joana Guerreiro holds a degree in Economics from Universidade Nova de Lisboa and a postgraduate degree in Financial Markets.

Between 1996 and 2007, at Caixa Geral de Depósitos, she was a portfolio manager of the Bank's own portfolio, being responsible for the corporate credit portfolio and for the analysis and selection of investments in third-party vehicles and hedge funds.

At Banco Santander in Portugal, she was involved in Santander asset management, as a senior portfolio manager for fixed income funds and as a commercial and product director. In 2014 she became the Head of Funding and since 2019, she has been responsible for the Financial Markets area (mandate includes the structural treasury management of the Bank, management of the group's subsidiaries in Portugal and Head of Funding including Securitizations), which is integrated in Financial and Capital Management of the Bank in Portugal.

## François HAAS
### Deputy Director General - Financial Stability and Operations, Banque de France and Deputy Secretary General, ACPR

François Haas is a graduate of Sciences Po and has spent the majority of his career in financial stability and market activities. He joined the Banque de France in 1988, working initially as an FX trader and Reserves Manager, before being seconded to the Federal Reserve Bank of New York in 1995.

In 1996 he joined the Banque de France's Monetary Policy Implementation Directorate, and from 2001 to 2004 was Head of the Markets and Financial Stability Division. In 2004 he joined the International Monetary Fund as a Senior Economist, returning to the Banque de France in 2008 as Director of Market Operations.

In 2012 he was appointed Deputy Director General of Operations, and in 2016 moved to New York as the Banque de France's Senior Representative for the Americas (United States, Canada, Latin America).

He moved to Banque de France's Singapore Bureau in 2020 as Chief Representative for the Asia-Pacific Region. François Haas has been appointed Deputy Director General of the Directorate General Financial Stability and Operations and Head of Financial Stability In April 2023.

In this capacity, he also joins the General Secretariat of the Autorité de Contrôle Prudentiel et de Résolution (ACPR) as Deputy Secretary General.

## Joop HESSELS

### Executive Director, Head of Sustainable Markets, ABN AMRO Bank NV

Joop Hessels is fully dedicated to Green, Social and Sustainability financing solutions since 2014. He structured Europe's first FIG green bond and supported over 100 FIG, Corporate and SSA issuers with the setup of their GSS framework structuring and/or execution including many inaugural transactions including the Dutch State. Joop is heading ABN AMRO's Global Markets, Sustainable Markets Desk expanding activities beyond green bonds into the full spectrum of sustainable finance investor products. In this role he structured the world's first certified Green IPO and supporting EU taxonomy and GBS alignment.

He holds a Master of Business Administration from the University of Groningen and is based in Amsterdam.

---

## Jennifer JOHNSON

### Deputy Secretary General, EMF-ECBC

Jennifer Johnson joined the EMF-ECBC in 2002, where she is Deputy Secretary General, overseeing, in particular, the EMF policy work. She specialises in a range of mortgage-specific issues on both the retail and prudential sides of the business and therefore handles a variety of files from those with a consumer protection focus right through to liquidity, leverage and capital requirements, as well as a broad range of horizontal EU business regulatory files. She also closely follows the EMF-ECBC's covered bond-related activities and files. Jennifer is furthermore heavily involved in the management of the EMF-ECBC's Energy Efficient Mortgages Initiative.

Before joining the EMF-ECBC, she studied French, German and European politics at the University of Wales, Cardiff.

---

## Wolfgang KÄLBERER

### Strategic advisor, EMF-ECBC

Wolfgang Kälberer is a German lawyer working from 1988 to 1995 in the International Mortgage Department of Bayerische Vereinsbank in Munich (Unicredit Group today). In 1996, he became Head of the Brussels Office of the Association of German Pfandbrief Banks (vdp). During almost 24 years, he represented the interests of vdp member banks vis à vis the European Commission, the European Parliament and EU Member States, primarily covering banking supervision, capital markets' legislation and property valuation.

Wolfgang was member of the ECBC from its inception in 2004 and member of several committees and working groups of the EMF. Over 12 years, he chaired the EMF's Economic Affairs Committee in charge of banking supervision with a focus on the transposition of Basel II-III into European law.

He was also delegated to the Valuation Committee of the EMF from 1996 to 2019.

Over 20 years, Wolfgang was vdp representative in TEGoVA (The European Group of Valuers' Associations) which issue the European Valuation Standards (EVS). In 2020, he was elected member of the Europe Committee of the International Valuation Standards Council (IVSC) enhancing the understanding and application of International Valuation Standards (IVS) within Europe.

End of 2019, Wolfgang retired from the vdp and was appointed strategic advisor of the EMF-ECBC with a focus on banking supervision and international property valuation.

## Vessela KRMNICEK

### Senior Director, Covered Bonds, Fitch Ratings

Vessela Krmnicek is a senior director within Fitch Ratings' covered bonds team in Frankfurt.

## Frederik KUNZE

### Floor Research, NORD/LB

Frederik Kunze joined NORD/LB in 2009 and is currently working as fixed income floor analyst, focusing on covered bonds and unsecured bank bonds. He provides market comments as well as trading strategies for the fixed income market.

Before joining NORD/LB's Floor Research team in 2018, Frederik Kunze worked as economist as well as senior credit portfolio manager at NORD/LB.

## André KÜÜSVEK

### President & CEO, NIB

André Küüsvek is leading the Nordic Investment Bank (www.nib.int), the international financial institution of Nordic-Baltic countries since 2021.

In 1996-2021, André held leadership positions at the EBRD, most recently as a Managing Director, earlier as Director (Capital Markets and Local Currencies 2013-2020; country head Ukraine 2008-2013 and Kazakhstan 2004-2008), served at management committees (Strategy & Policy; ALCO).

In 1992-1995, André, headed departments at Tartu Kommertspank and Bank of Tallinn in Estonia, and worked for SMH Bank and Dresdner Bank in Germany.

André has served at >30 boards of banks, exchanges, equity funds, insurance and infrastructure companies. He is the Chair of the Supervisory Board of Tallinn Airport as of April 2024, and a graduate of Tallinn University of Technology, Estonian Business School, and Stockholm School of Economics.

## Gianluca MATTAROCCI

### Professor of Banking, Tor Vergata University

Professor of Banking at Tor Vergata University of Rome, where he teaches Corporate Finance and Credit Portfolio Management. He is currently the Erasmus academic coordinator for the School of Economics.

Visiting professor at Athens University of Economics and Business (Greece) and Institute of Management and Technology – Dubai (UAE). He is currently an adjunct professor of corporate finance at Luiss University and Luiss Business, and he is the director of Major in Real Estate Finance (MAREF) organised by Luiss Business School.

He is currently board member of the European Real Estate Society and he is a former president of the European Financial Management Association. His research areas focus on Credit risk and real estate finance, and he published more than 150 research outputs in journals, books, book chapters, and working papers.

## Oscar MGAYA

### Chairman, ISMMA & Chief Executive Officer, Tanzania Mortgage Refinance Company

Oscar Mgaya is the Chief Executive Officer of Tanzania Mortgage Refinance Company (TMRC) since April 2013. Oscar joined TMRC in January 2011 as Chief Operating Officer. He has over 20 years of commercial real estate and financial services experience.

Prior to joining TMRC, Oscar was Director of Real Estate for Limited Brands in the United States. He previously also worked for JP Morgan Chase, General Electric Company, and Merrill Lynch.

Oscar received both his Bachelor of Arts degree in Finance & Management, as well as his Masters of Arts degree in Management from Walsh University. He is also a Certified Leasing Specialist (CLS). Oscar is the board Chairman of the Association of Tanzania Employers (ATE) and the Chairman of the International Secondary Mortgage Market Association (ISMMA). Oscar is a member of the Executive Committee of the International Union for Housing Finance (IUHF) and was also Chairman and board member of the African Union for Housing Finance (AUHF) Board of Directors.

## Jorge Filipe NUNES

### Head of Liquidity and Funding, Banco BPI

Jorge Filipe Nunes is Head of Liquidity and Funding at Banco BPI, S.A. He has a 24 years (since 2000) career at Banco BPI, dedicated to funding, fixed income origination and liquidity management. He participated in the process of creating Banco BPI's first Covered Bonds Programme in 2008, its subsequent issues in the market and the conversion of the Programme to the new legal regime according to the Covered Bonds Directive.

## Sergiu OPRESCU

### Executive President, Alpha Bank Romania & Chief of International Network, Alpha Bank

Sergiu Oprescu has an extensive experience in banking and capital markets in Romania, with a career of over 30 years in the financial sector. He holds a MEng Graduate degree with concentration in Avionics from the Aeronautical Faculty, Politehnica University of Bucharest, a postgraduate degree in Banking from the University of Colorado and attended multiple executive program studies at Harvard Business School (HBS Alumni PPL class of 2019) and London Business School (LBS Alumni).

He joined Alpha Bank Romania in 1994 and held several senior positions before he was appointed Executive President in 2007. He served as Chairman of the Bucharest Stock Exchange from 2000 to 2006 and as President of the Board of Directors of the Romanian Association of Banks from 2015 to 2021. In 2019, he was appointed as General Manager of International Network of Alpha Bank Group and member of the Executive Committee of the Group, co-ordinating the international activity of Alpha in Cyprus, Romania, UK and Luxemburg. In 2023, was elected as Deputy Chairman of European Mortgage Federation.

## Stefano PATRUNO

### Head of Regulatory Impact Assessment, Intesa Sanpaolo & Chairman, ECBC

Graduated from Rome University in Economics, Stefano Patruno started his career with Crédit Agricole in Paris Head Office, dealing with the foreign subsidiaries of the group. He subsequently joined Intesa Sanpaolo where he worked for Planning, CIB and Treasury. In the latter position he was involved in structuring proprietary securitisations and covered bonds, heading the management of all the CB programmes of Intesa Sanpaolo. Eventually he took responsibility of Supranational and Intragroup Funding.

Stefano spent recent years in Brussels, as Head of the European Regulatory Policy, entrusted with the analysis and advocacy on the EU banking and financial markets legislative files, including prudential, crisis management, securitisation, covered bonds, retail and financial markets. He is now Head of Regulatory Impact Assessment, contributing to the activities of the Institutional Affairs Department of Intesa Sanpaolo, with the responsibility of assessing the impact of banking and financial regulation.

He is an active participant to the various working groups of the European Covered Bond Council – notably he is the Moderator of the European Secured Notes (ESN) Task Force. In January 2024, Stefano was appointed Chairman of the ECBC. He also participates to boards and working groups of other EU banking associations representing Intesa Sanpaolo.

---

## Olaf PIMPER

### Portfolio Manager, Treasury Department, Commerzbank AG

Olaf Pimper works at Commerzbank AG Treasury Department where he manages the LCR eligible Liquidity Portfolio. Starting at Dresdner Banks Treasury in 1998 he took over responsibility for the Collateral Portfolio in 2001. Since then he has gained an in-depth knowledge of the whole covered bond universe. Olaf joined Dresdner Bank in 1989 and moved to Commerzbanks Treasury in May 2009 after the take-over.

---

## Anna PINEDO

### Partner, Mayer Brown

Anna Pinedo is a partner in Mayer Brown's New York office. She represents issuers, investment banks and other financial intermediaries as well as investors in financing transactions, including public offerings and private placements of equity, equity-linked and debt securities. She also advises on structured products and derivatives matters.

Anna works closely with financial institutions to create and structure innovative financing techniques, including new securities distribution methodologies and financial products. She has particular financing experience in certain industries, including technology, telecommunications, healthcare, financial institutions, REITs and consumer and specialty finance. Anna has worked closely with foreign private issuers in their securities offerings in the United States and in the Euro markets. She also works with financial institutions in connection with international offerings of equity and debt securities, equity- and credit-linked notes, and hybrid and structured products, as well as medium term note and other continuous offering programs.

She is ranked as a leading lawyer by Chambers Global, Chambers USA, IFLR1000, and The Legal 500 US. At the 2024 IFLR Women in Business Law Awards, Anna was named 'Structured Finance Lawyer of the Year,' at the 2023 awards she was named 'Equity Capital Markets Lawyer of the Year', and was the first inductee into the IFLR Women Dealmakers Hall of Fame presented at their 2022 Americas Awards.

## Patrick SEIFERT

### Head of Primary Markets & Global Syndicate, LBBW

Patrick Seifert is head of primary markets & global syndicate at Landesbank Baden-Württemberg (LBBW). Prior to that, he developed the FIG and SSA origination team into a leading European franchise. Providing tailor-made funding solutions for demanding issuers, LBBW is particularly appreciated for its excellent distribution capacity throughout economic cycles and providing debut issuers first-time access to capital markets.

Patrick does leverage his extensive sales and strategic experience with former employers BHF-BANK and ING Group to help issuers respond to regulatory changes and market challenges: Ongoing investor diversification, geopolitics, central bank interventions and the need for product innovations.

Covered Bonds are at the heart of LBBW's capital markets business. The latter includes conditional pass-through covered bonds and the first ESG and Green Pfandbrief issues almost 10 years ago – in all of which LBBW played a vital role.

Patrick holds Master degrees from the University of Applied Sciences in Mainz as well as the University of Chicago and regularly lectures with the Frankfurt School of Finance and Management. He also serves on the ECBC Steering Committee and is a member of the ESMA's FRWG Consultative Working Group.

## Federica SELLERI

### Director of Technical and Valuation Services, Energy & Sustainability, CRIF

Federica Selleri graduated in construction engineering with qualification to the profession and enrolled in the register of engineers of the province of Bologna since 2005. After an experience in an engineering firm, since 2007 she has been in CRIF Services with many roles on valuation topics such as quality control operational office, audits and appraisals.

Since 2016 she is the Director of Technical and Valuation Services, Energy & Sustainability in CRIF. She is Member of the European Valuation Standards Boards of TEGoVA, member of the Valuation Committee of the European Mortgage Federation, Member of the Technical Table of the Guidelines of the Italian Banking Association (ABI). She is also Vice President of ASSOVIB – Association of real estate valuation companies for banks. She has the certification ISO 17024, the REV qualification of TEGoVA REV and Member of RICS – Registered Valuer.

## Lily SHUM

### Covered Bond Advisor, Canada Mortgage and Housing Corporation (CMHC)

Lily Shum joined CMHC in 2016 and is responsible for covered bond and securitisation policies. In her capacity, she oversees product and policy, and management of the Canadian covered bond legal framework. She advises government partners on mortgage funding programs, securitisation strategies and climate risks, to help promote stability of the housing finance system. She has over 20 years of experience in the financial services sector.

Prior to joining CMHC, Lily worked for Bank of Montreal (BMO) for 12 years in treasury and funding. At BMO, she was responsible for liquidity risk strategy and corporate funding, which included issuing the bank's covered bonds, preferred shares, subordinated debt and senior unsecured notes and developing debt investor marketing programs.

Lily graduated with an MBA from Schulich School of Business at York University and completed her undergraduate studies at the University of Toronto.

## Juan Pablo SORIANO

### Managing Director of EMEA Covered Bonds and global Covered Bond coordinator, Moodys Ratings

Juan Pablo Soriano joined Moody's Investors Service in London in 1994. He is currently based in Madrid as Managing Director of EMEA Covered Bonds and global Covered Bond coordinator. He is also the country manager for Spain and Portugal.

Prior to joining Moody's, Mr Soriano had various responsibilities first at a Stock Broker Agency and then in the New York branch of the Banco Central Hispanoamericano back in 1988, holding diverse positions as Money Market Manager, Assistant Vice President in the Loan & Investment Department and Vice President in the Trade Finance Department. In 1993 he was transferred to Madrid as Vice-President of the Fixed Income Department.

Mr Soriano is a graduate in Law by the Universidad Complutense of Madrid, Spain, and holds an MBA in Finance by the Leonard Stern School of Business (NYU).

## William SYMINGTON

### International Funding & Investor Relations, Íslandsbanki

William Symington has worked in the bond markets for over 30 years. After joining Íslandsbanki in 2000, he helped develop the bank's presence across various markets globally and across the capital spectrum. The bank re-established itself as a bond issuer in overseas markets in 2013 and has issued in almost all classes of debt and capital since then. Íslandsbanki issued its first covered bonds in EUR in 2022. Prior to his time at Íslandsbanki, William worked in debt capital markets and syndicate at Creditanstalt-Bankverein AG between 1992 and 2000, focussing principally on the new markets of Central & Eastern Europe. Before that he worked at Baring Brothers & Co., Limited in bond sales.

## Orlando VOLGER GUINÉ

### Of Counsel, Vieira de Almeida & Associados (VdA)

Orlando Vogler Guiné is registered as Banking & Finance Specialist Lawyer at the Portuguese Bar Association. Orlando joined VdA in 2006, working in banking, asset management and capital markets laws, comprising regulatory and transactional work. He devotes much of his time to DCM transactions, including ESG bonds, regulatory capital, securitization, and other structured finance instruments. He advised on the first Portuguese Covered Bonds Programme back in 2006 and since then on all Portuguese Programmes under the Covered Bonds Law and from 2022 under the Legal Regime of Covered Bonds, which transposed the Covered Bonds Directive.

## Bodo WINKLER

### Head of Funding & Investor Relations, Berlin Hyp AG

Bodo Winkler is Head of Funding & Investor Relations at Berlin Hyp AG in Berlin and is responsible for the bank's long term funding, its relations to investors and also to rating agencies. In addition he looks after Berlin Hyp's activities in Green Bonds, Social Bonds and Sustainability-Linked Bonds.

Before joining Berlin Hyp in 2010 he worked as a division manager at the Association of German Pfandbrief Banks (vdp) responsible for Pfandbrief and capital markets issues.

Prior to joining the vdp in 2004 Bodo was an asset manager with Deutsche Kreditbank AG where he was in charge of the bank's fixed income portfolio. After starting his career at GrundkreditBank, Berlin in 1994 he worked as a money market trader at Berliner Volksbank.

Bodo received a MBA from Lord Ashcroft International Business School in Cambridge and holds a degree in Business Administration from HTW Berlin University of Applied Sciences.

# 4th EEMI Sustainability and Digitalisation Pavilion

## Facilitating the green efforts of the covered bond and mortgage industry

Energy Efficient Mortgages Initiative

Following on from the success of our previous events focused on digital support for the Covered Bond Industry, the Porto edition will be the fourth in the series of market events intended to further develop a global discussion platform through the exchange of ideas, knowledge and best practices between financial actors, SMEs, start-ups, scientists, academics and local authorities.

The EEMI Sustainability and Digitalisation Pavilion represents a unique opportunity for market participants to meet and exchange views.

### ABN AMRO

ABN AMRO is one of the Netherlands' leading banks. As a personal bank in the digital age, we deliver convenience in daily banking and offer clients our sector and sustainability expertise at moments that matter. We have a clear purpose: Banking for better, for generations to come.

### Bloomberg

Bloomberg is a global leader in business and financial information, delivering trusted data, news, and insights that bring transparency, efficiency, and fairness to markets. The company helps connect influential communities across the global financial ecosystem via reliable technology solutions that enable our customers to make more informed decisions and foster better collaboration.

The Bloomberg Terminal® revolutionised an industry by bringing transparency to financial markets. More than four decades on, it remains at the cutting edge of innovation and information delivery – with fast access to news, data, unique insight and trading tools, helping decision-makers turn knowledge into action.

Bloomberg comprehensively covers the global Covered Bond markets from instrument launch, price talk and final pricing throughout a bond's lifecycle to maturity, enabling market participants to trade electronically, follow market price development and analyse relative value and associated risks. Bloomberg offers relevant datasets for the Covered Bond asset class, such as Cover Pool information (including the FIGI instrument identifier linking bonds to pools) and regulatory classifications.

### Econans

Econans AB is a Swedish green fintech partner that provides digital services for simulations and data gathering of energy consumption and energy efficiency actions. The services offered are based on research, statistics and financial regulations, combined with users' own data. The platform also provides necessary data for the banks to analyse, report and improve their mortgage stock.

### GlobalCapital

GlobalCapital is the leading provider of insight and analysis for the primary capital markets community.

For over 35 years, we have been helping investment banks, issuers, investors, law firms, rating agencies, tech platforms, and regulators keep pace with the most important trends, challenges, and opportunities in the industry.

As a trusted and reputable voice for capital markets participants, we deliver independent news and data that provides transparency into primary DCM activity, all guided by our core values of connection, independence, personalisation and curation.

Our comprehensive approach, supported by an esteemed editorial team, established brand, extensive market access, and strong industry relationships, enables us to provide the primary capital markets community with an edge via five streams: news and analysis, data, awards, and GC Live industry briefings.

### Harley & Dikkinson

Harley&Dikkinson plays a part in the European Green Deal by improving how buildings get renovated. We strongly believe that renovating homes, buildings, and neighbour- hoods can make people's lives better.

Our approach has three main parts: Method, Guarantee, Finance. The Method is all about gathering and checking renovation data. We have more than 5 platforms that help manage construction sites efficiently and following ESG principles.

The H&D Method not only reduces risks by overseeing the whole process carefully but also allows us to provide performance guarantees. These guarantees ensure that our projects meet green standards, leading finally to innovative and sustainable financial solutions.

We work together with top Italian banks to support better and more eco-friendly building renovation, boosting the value of European real estate.

## ISMMA

International Secondary Mortgage Market Association (ISMMA) is a great platform for secondary market players globally to share best practices and exchange ideas. Collectively ISMMA members get the opportunity to discuss solutions for challenges that exist in their respective jurisdictions. ISMMA members play a very important role in the development of the capital markets in their respective markets.

## NORD/LB

With a history dating back over two centuries, NORD/LB is one of Germany's top banking groups in terms of diversified access to funding sources and a flourishing domestic capital markets franchise .

Combining general retail and specialist wholesale focus into a successful business model for the German Landesbank sector, NORD/LB is honoured to have helped a growing share of premier covered bond issuers worldwide to deepen their distribution in the largest fixed income investment market of the European continent.

## vdpResearch / K.A.R.L.®

vdpResearch is the real-estate market research company of the Association of German Pfandbrief Banks (vdp), which focuses on compiling, analysing and forecasting real estate prices from a lending standpoint.

The K.A.R.L. ® - Köln.Assekuranz Risiko Lösungen system offers an established concept for the analysis of natural hazard exposures. With the involvement of the Association of German Pfandbrief Banks (vdp), Köln.Assekuranz has further developed the K.A.R.L. ® system in accordance with the legal requirements for mortgage cover assets. Together with vdpResearch, Köln.Assekuranz now provides the banking industry with online access to K.A.R.L.

# ECBC[1] Statement on European Banking Authority (EBA) Industry Questionnaire on the Covered Bond Directive Call for Advice and Update on State of Covered Bond Market

## INDUSTRY ROAD MAP TOWARDS PRINCIPLE-BASED HARMONISATION AND TRANSPARENCY

The implementation of the Covered Bond Directive in the European Union has crowned a long journey and firm commitment undertaken by the covered bond community, under the leadership and governance of the **European Covered Bond Council (ECBC)**, to align market and supervisory best practices so as to facilitate the optimisation of funding strategies. In parallel, this has helped ensure wider access to capital markets and fostered the opening up of global opportunities for both lenders and investors, whilst benefitting consumers. Against the backdrop of the recent implementation of the Directive, it is of paramount importance to secure legal stability in order to ensure the continued smooth alignment of market best practices, due processes and due diligences.

According to the **European Mortgage Federation (EMF) statistics**, covered bonds finance around 25% of European mortgage loans. Several factors explain their popularity with issuers and investors. Issuers like the ability to diversify their funding sources away from short-term deposits and toward longer-term instruments, which better match the maturity of their mortgage book. Covered bonds are cheaper and often have longer maturities than other funding sources, such as unsecured bank debt. Investors like the additional security that dual-recourse offers to both the issuing credit institution and a cover pool of segregated financial assets, usually prime mortgage loans. Generally, covered bonds show higher and more stable ratings than the issuing banks, and have never defaulted over their long history.

The principle-based approach adopted in the Directive was designed to capture and strike the right balance between both long-standing macroprudential features in national supervisory landscapes and overarching market innovations and mechanisms, thereby representing a form of osmosis to securing harmonisation at the European and global levels. It should be kept in mind that national covered bond markets have been well functioning for many decades and that, in general, investors are satisfied with the current framework, which is characterised by principle-based harmonisation combined with product diversity; therefore, any further harmonisation in the legal framework for covered bonds should take into account the existing differences in terms of insolvency law regimes across Member States.

The focus and strength of finding the right balance has been the critical diversification and reinforcement of the investor base through enhanced transparency and availability of standardised information on collateral assets, legislative frameworks and liability issuances. The global catalyst for this systemic market reaction has been the **Covered Bond Label**[2] initiative, developed by the ECBC alongside its annual **European Covered Bond Fact Book & Statistics**[3], with its focal point being the **Harmonised Transparency Template (HTT)**[4], which provides enhanced levels of transparency for supervisors and investors through dedicated sections on ESG assets amongst others.

Over recent years the covered bond market has crucially evolved towards financial structures with extendible maturities, an instrument conceived to address potential liquidity shortfalls and ensure a last resort to avoid the insolvency of the cover pool. Such structures are well appreciated by all market participants, such as investors and rating agencies, and feature different triggers defined at national levels according to the existing specificities of banking crisis management and supervisory roles. In this context, the ECBC has played an important role in the dialogue with authorities and is proud of its success in helping to ensure a well-functioning principle based extension mechanism. At the end of 2023, around two-thirds of outstanding covered bonds had an extendable maturity. In relation to the above and to avoid any unnecessary and unwarranted markets' fragmentation (in contrast with the principle of the CBD), it is crucial that the extendable maturity structures and the attached discretions exercised by the Member States will be confirmed in the terms of the EU framework currently in force.

The current political debate regarding the revamp of the Capital Markets Union (CMU) initiative comes at a critical geopolitical moment. With financial markets entering uncharted waters and with inflation and a new monetary policy landscape once again highlighting the anti-crises nature of the covered bond asset class, the appetite for a product that can at the same time offer stable and robust long-term financing and efficient asset liability management is evident. Throughout recent years of market turmoil and

1 The EMF-ECBC is registered in the EU Transparency Register under ID Number 24967486965-09.
2 https://www.coveredbondlabel.com/
3 https://hypo.org/ecbc/publications/fact-book/
4 https://www.coveredbondlabel.com/htt

deposit volatility, lenders have been able to secure access to capital market funding by relying on the more than 250 years old DNA structure of covered bonds' unique characteristics: low volatility, exceptionally low transaction execution risk, superb credit ratings, lower refinancing costs and a reduced need for banks to rely on more expensive funding means and interbank markets, especially during turbulent times. And of course an impeccable credit history throughout the various EU jurisdictions.

In the context of the rethinking of the Capital Markets Union, it is important to underline the macroprudential value and contribution to financial stability of the covered bond asset class. From an investor perspective, covered bonds are already supporting the development of deeper capital markets having achieved a significant degree of granularity, with the value of outstanding covered bonds reaching the peak at the end of 2023 of over EUR 3.3 trn: this is represented by 433 different programmes from 329 active covered bond issuers, of which 77 also issue sustainable covered bonds.

## GENERAL REMARKS ON THE 2023 STATISTICS[5]

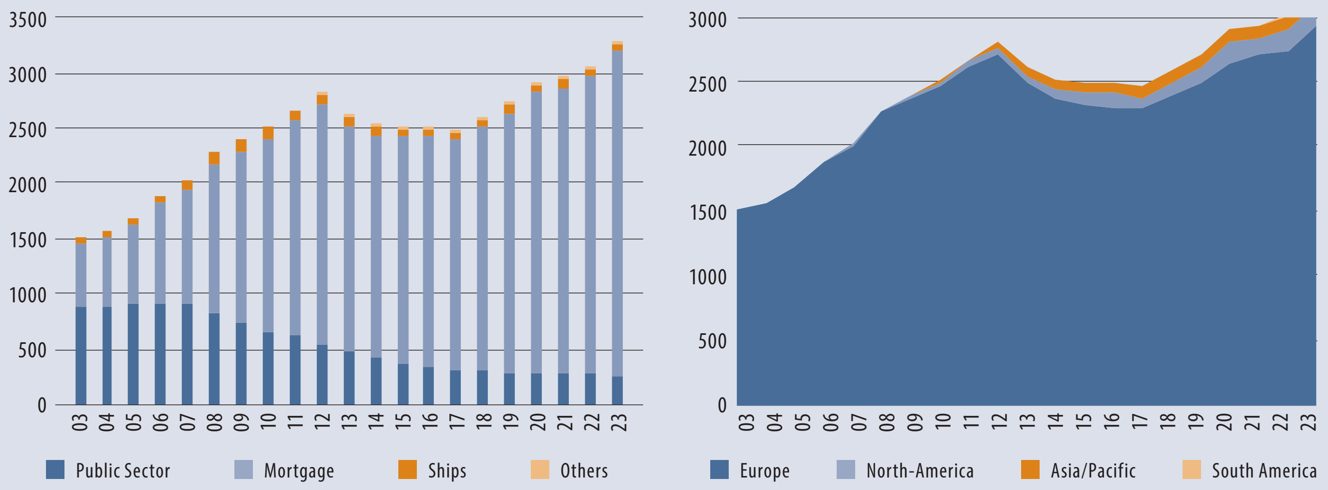
The aim of the ECBC statistics is to provide the most reliable data on the size and issuance of covered bonds globally. As such, it paints a realistic a picture of developments and trends in the covered bond market. In 2016, a breakdown by maturity structures was added to the statistics, while in 2019, we started to collect statistics on sustainable covered bonds. Sustainable covered bonds include a formal commitment by the issuer to use the bonds' proceeds to (re)finance loans in clearly defined environmental, social, governance (ESG) or a combination of these. The data is based on self-certification by issuers. In the coming years, we will try to further enhance the quality of this data, as we expect that the importance of sustainable covered bonds will continue to grow over time.

## COVERED BONDS AS A CRISIS MANAGEMENT TOOL: OUTSTANDING AMOUNT OF COVERED BONDS INCREASED AT STRONGEST PACE SINCE 2008

The new record in outstanding of 2023, reflects the large volume of new supply more than compensating for covered bonds that matured during the course of the year. The amount of outstanding covered bonds rose by EUR 230 bn between 2022 and 2023 to EUR 3.3 trn. This was the sixth consecutive year of growth, and the pace of growth (+7.6%) was the strongest since 2008. Moreover, it was more than double the growth rate in 2022 (+3%), taking the volume of outstanding covered bonds further above the EUR 3 trn mark. A breakdown by covered bond type showed that the increase in 2023 was largely due to a rise in outstanding amounts of mortgage covered bonds, as the outstanding amounts of public sector continued to decline in 2023.

Indeed, the nominal amount of mortgage covered bonds rose by EUR 246 bn to EUR 2.9 trn (+9%), while the volume of outstanding public sector covered bonds dropped by EUR 19 bn to EUR 258 bn (-6.8%). The amount of ship covered bonds rose by EUR 0.3 bn and the "other" category, which largely includes export finance covered bonds in Spain, increased by EUR 2.7 bn. Both categories recovered somewhat following a decline in outstanding amounts in 2022. At the end of 2023, the share of mortgage covered bonds in the total amount of outstanding covered bonds was 90%, up from 88.7% in 2022. Meanwhile, the share of public sector covered bonds dropped to 8%, while the share of covered bonds backed by ships/other assets remained stable at around 2.1%. Finally, the share of sustainable covered bonds reached 3% last year, up from 2.6% in 2022 and 1.8% in 2021.

**FIGURE 1** | TOTAL OUTSTANDING COVERED BOND PER TYPE (LEFT) AS WELL AS BY REGION (RIGHT), EUR BN




*Sources: ECBC, ABN AMRO*

5 https://storieddata.com/wp-content/uploads/2023/12/Fact-Book-Enhanced.html

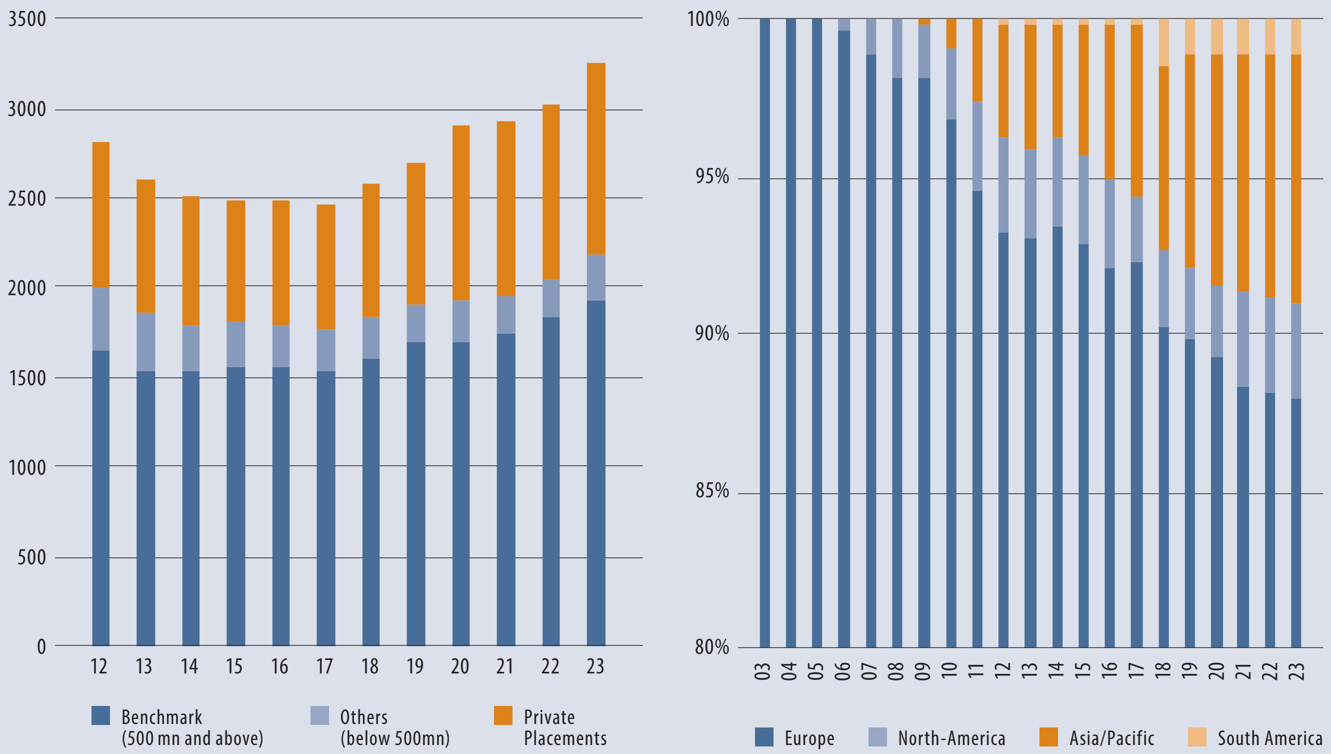
## RISE IN BOTH PUBLIC AND PRIVATE PLACEMENTS

The breakdown between privately placed covered bonds (which includes retained covered bonds also used for central banks' liquidity operations) and publicly placed covered bonds showed that the volume of outstanding covered bonds with a benchmark size (i.e., publicly sold to investors and having a minimum size of EUR 500 mn) increased by more than EUR 110 bn to almost EUR 2 trn, while privately placed covered bonds increased by EUR 94 bn to EUR 1.1 trn. Both series reached their highest levels since we started to publish their statistics in 2012. The rise in privately placed covered bonds was largely due to a French bank that issued EUR 92 bn of retained covered bonds last year after it had set up a separate retained covered bond programme. This new programme replaced other assets (e.g., credit claims) that the bank used in central bank liquidity operations. The move by the French bank had quite some impact on the numbers as it fully reversed the trend seen in the previous two years of a decline in retained covered bonds. The latter was due to banks repaying large amounts of cheap central bank loans that they had obtained following the outbreak of the Covid-19 pandemic. Overall though, the 2023 figures mainly confirm the very important role that covered bonds play as bank wholesale funding tool as well as the role they play in banks' liquidity management.

## COVERED BONDS CONTINUED BROADENING THEIR GLOBAL FOOTPRINT

Another observation (see below) is that covered bonds continued to broaden their global footprint, as the share of outstanding covered bonds outside Europe increased for the first time to above 10% last year. As such, the figures also underline the growing importance of covered bonds as a bank funding tool, not only in Europe but around the globe. At the end of 2023, 329 covered bond issuers were active around the world, of which 77 also issue sustainable covered bonds. The number of issuers dropped slightly last year, which is due to the balance between issuers leaving the market (mainly due to mergers and take-overs) and new issuers joining the market. Last year, five new issuers entered the covered bond market, while the number of sustainable covered bond issuers increased by double this number. Meanwhile, the total number of countries with outstanding covered bonds remained stable at 34 by the end of 2023, a similar number as in previous years, but more than double the number 20 years ago. The regional breakdown shows that the majority (88%) of all issuers are located in Europe, but that this share is gradually declining. Indeed, the share of issuers from the Asia/Pacific region rose to almost 8% last year, double the share of a decade ago. The share of North America remained at 3% in 2023, while that of South America remained roughly stable at 1.2%. Finally, there were 433 covered bond programmes at the end of the year, as some issuers have public sector as well as mortgage covered bond programmes, while some are using multiple mortgage-backed ones.

**FIGURE 2** | BREAKDOWN BETWEEN PUBLIC AND PRIVATELY PLACED COVERED BONDS (LEFT) AND SHARE OF COVERED BOND ISSUERS BY REGION (RIGHT)




*Sources: ECBC, ABN AMRO*

## FRANCE TAKING THE LEAD FOR THE FIRST TIME

A breakdown by country shows that nine countries had fewer covered bonds outstanding at the end of 2023 compared to 2022, although their decline was more than compensated for by the 23 countries that saw an increase in their outstanding amount of covered bonds. The countries that recorded the largest increase were France (+EUR 101 bn), Switzerland (+EUR 27 bn), Canada (+EUR 24 bn) and the Netherlands (+ EUR 15 bn). In contrast, Italy saw its outstanding covered bonds decline by EUR 7 bn.

The strong increase of outstanding covered bonds in France (to EUR 468 bn) also resulted in the country taking over the top spot from Denmark (EUR 465 bn). This is the first time that France has the largest volume of outstanding covered bonds, as Denmark had led the league table during the past seven years, while Germany was held the top spot from 2003-2015. With France now taking the lead, Denmark dropped to second place, with Germany (EUR 400 bn) third (having been second in 2022). The remainder of the top ten did not change last year.

**FIGURE 3** | TOTAL AMOUNT OF OUTSTANDING COVERED BONDS BY COUNTRY AND ANNUAL CHANGE


*Sources: ECBC, ABN AMRO (growth rate of Turkey and Panama are below 50% and not shown in graph)*

## SOFT BULLET SHARE ABOVE 70%

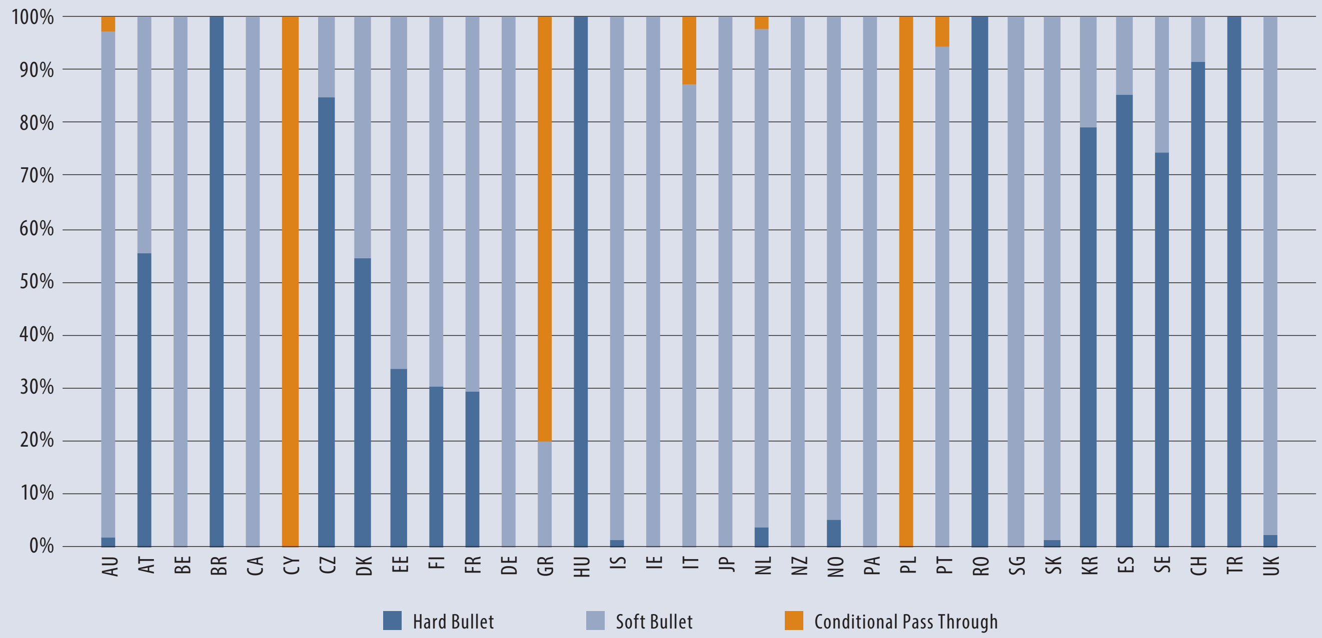
One of the biggest changes in the statistics seen over the past few years was the increasing dominance of soft bullet covered bonds, a market trend that was further supported by the implementation of the Covered Bond Directive, which has resulted in more and more countries allowing (and issuers using) the structure. In terms of amounts outstanding, soft bullet covered bonds recorded an increase of EUR 246 bn in 2023, while hard bullet covered bonds and conditional pass-through covered bonds posted declines of EUR 7 bn and EUR 9 bn respectively. Consequently, the share of soft bullets rose to 66% of all outstanding covered bonds (from 62% in 2022). The share of hard bullet covered bonds dropped to 33% (compared to 36% in 2022 and 40% in 2021), and that of conditional pass-through (CPT) covered bonds fell to 1.3% (which is half the share of a few years ago, largely reflecting CPT issuers shifting to soft bullet covered bonds). Figure 4 shows that in six countries, hard bullet structures still represent at least 90% of the outstanding amount of covered bonds, while this is the case in 15 countries for soft bullet covered bonds.

It is worth mentioning that with the implementation of the CBD, all German hard bullet issuances switched [by law] to soft bullet. With an increasing number of countries allowing for soft bullet covered bonds, this share is likely to rise further in the coming years.

Virtually all investors surveyed for the ECBC Fact Book 2024 are able to invest in covered bonds with extendable maturities (a mere 2% cannot do so). However, there is a stark contrast between those who can invest across the spectrum all the way to conditional pass through (CPT) covered bonds and those for which it ends with soft bullets. This is especially so amongst bank treasury investors where CPT structures are not as commonly accepted as is the case for asset managers.

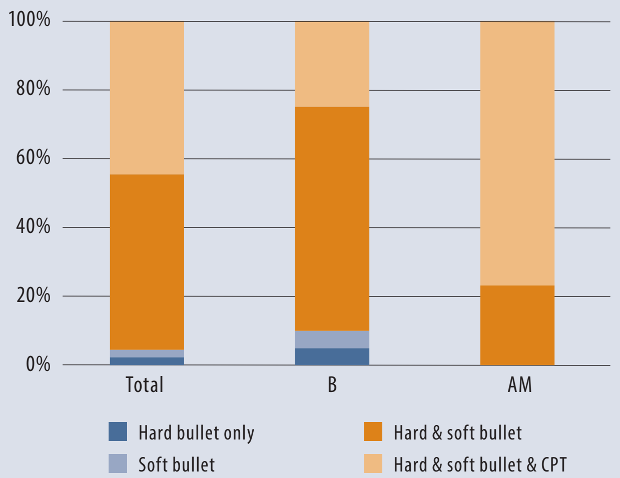
The additional clarity around extendable maturities that the Directive has provided was seen positively by around 40% of respondents. For 60%, additional

**FIGURE 4** | OUTSTANDING COVERED BONDS BY MATURITY AND COUNTRY (%)



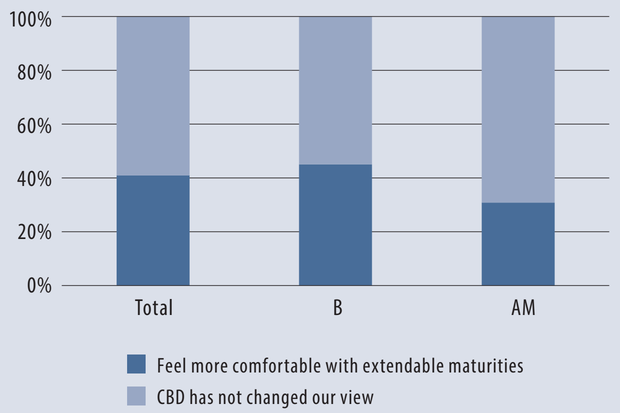

*Sources: ECBC, ABN AMRO*

**FIGURE 5** | ECBC FACT BOOK 2024 INVESTOR SURVEY: "IN WHICH MATURITY STRUCTURES ARE YOU ABLE TO INVEST?"




*Sources: Crédit Agricole CIB*

**FIGURE 6** | ECBC FACT BOOK 2024 INVESTOR SURVEY: "POST THE COVERED BOND DIRECTIVE'S IMPLEMENTATION, HOW COMFORTABLE ARE YOU WITH SOFT BULLET MATURITIES IN COVERED BOND MARKETS?"

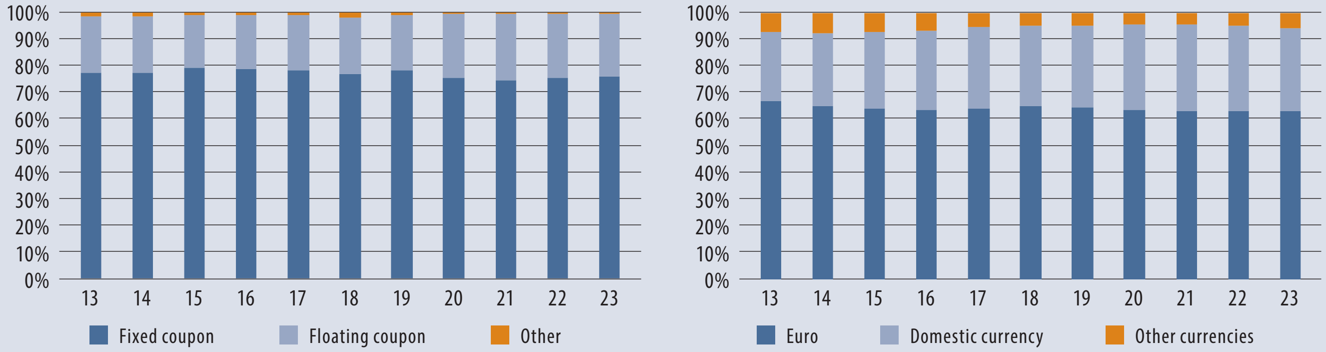



*Sources: Crédit Agricole CIB*

clarity around, for example, extension triggers has been broadly neutral as they were comfortable with the pre-existing market standards already.

The breakdown of outstanding covered bonds by coupon type as well as by currency type again remained fairly stable in 2023, with the share of floating rate covered bonds slightly declining. The fixed rate coupon remained the standard (76%), reflecting that almost all publicly placed benchmark covered bonds in EUR have a fixed coupon. Meanwhile, the euro remains the dominant currency (63% share of the total), followed by domestic currencies (31%). Interesting to note is that the outstanding amount of covered bonds denominated in other currencies (i.e. not in euro or in an issuer's domestic currency if not the euro) continued to grow strongly in 2023. In fact, the amount of outstanding covered bonds in this category increase by EUR 47 bn to almost EUR 200 bn. This translated into a growth rate of 31%, up from 14% in 2022. This category's share rose to 6% of the total (from 4.3% three years ago). This means that issuers increasingly enter other markets than their domestic markets (be this the euro market or another market), which is another confirmation that the covered bond market is becoming increasingly more global.

**FIGURE 7** | OUTSTANDING COVERED BONDS BY COUPON TYPE (LEFT) AND CURRENCY (RIGHT)




*Sources: ECBC, ABN AMRO*

## COVERED BONDS FROM AN INVESTORS' PERSPECTIVE

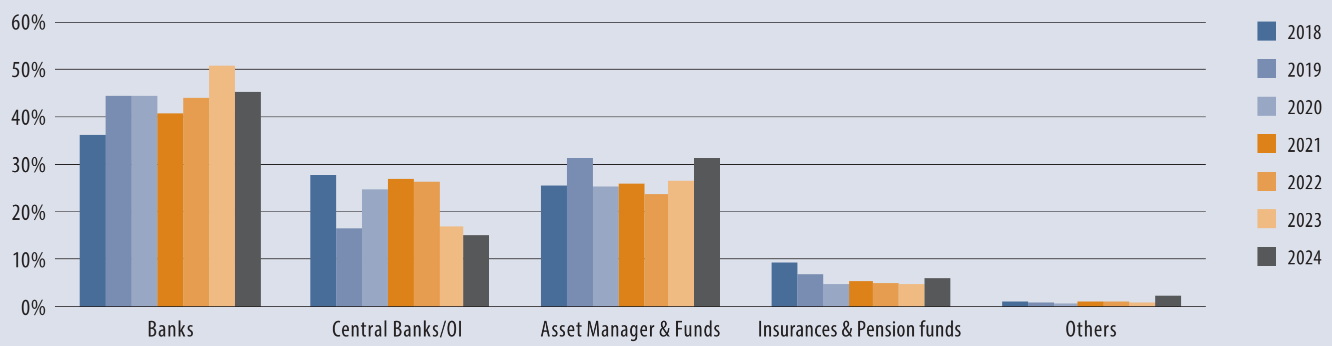
Covered bonds thrive when issuer and investor incentives are properly aligned. Banks find covered bonds even more attractive when their lending to the real economy via their mortgage book is growing and alternative funding options are limited. This was the case for many issuers in Europe after the financial crisis, as well as for global jurisdictions like Canada and Australia. Here, customer deposits financed a limited percentage of domestic loans by international standards and alternative sources of funding, such as securitisation, proved to be less reliable than before within periods market turmoil. Banks are still the dominant investor category in all tenors of CB, followed by asset managers and funds. As mentioned, Central Banks considering reduced their share in 2022 and 2023, as a consequence of the shift in monetary policy and winding down of the Targeted Long-Term Refinancing Operation (TLTRO). Worth noting that insurers have a big share as subscribers of long tenors (>10 years, with a share of 23% of the total in 2023).

In an investor survey undertaken for the 2024 edition of the ECBC Covered Bond Fact Book, all investors took a neutral or even positive view on the Directive. The majority also said that the implementation of the Directive had been neutral for their view on covered bond spreads, highlighting that spreads are not only driven by harmonisation of the legal framework but also by sovereign, credit and structural aspects.

Asset managers and credit investors have been driving demand for covered bonds in 2024 (Figure 8), enticed by improving liquidity, high yields and higher spreads on offer. In 2024, they have become more active in covered bonds with maturities of 7-10y (Figure 9) and those from periphery/high-beta issuers. We note that bank treasuries have been buying covered bonds consistently since June 2022 and are taking a more selective approach. This has pushed central banks/official institutions back into the spotlight as the marginal buyers of covered bonds (especially up to 7y). National banks within the Eurosystem (e.g., in France and Germany) are still quite actively buying covered bonds for their reserves and pension fund portfolios.

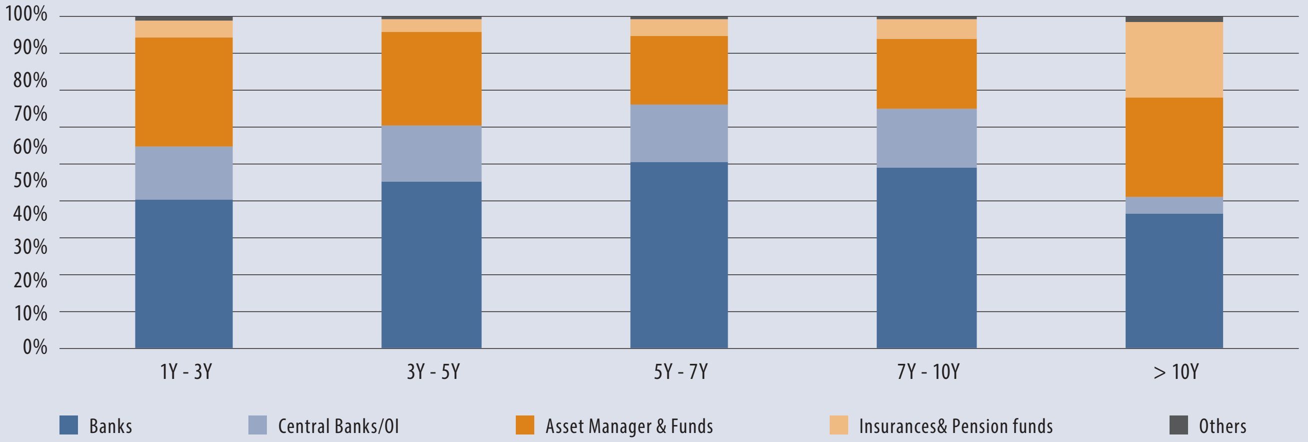
In terms of demand by geography, the German investor base is the largest, but with increasing cross border funding activity, the investor base is becoming more global. And with increased transparency emanating from the Directive and Art. 14, investors are looking to diversify and have access to different jurisdictions, mortgage markets, provided they are compensated for the additional risk they take.

**FIGURE 8** | BANKS STILL HAVE LARGEST INVESTOR SHARE (2024 YTD)




*Sources: Market Data, Nord/LB*

**FIGURE 9** | INVESTOR DISTRIBUTION BY INITIAL MATURITY BUCKET (2024 YTD)




*Sources: Market Data, Nord/LB*

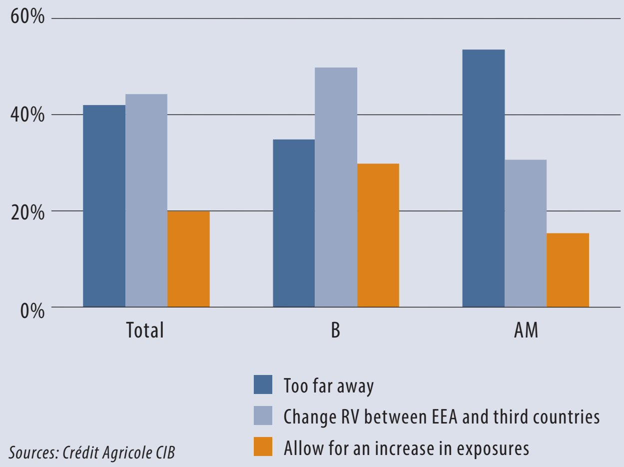
Widely recognised as a solid, anti-cyclical, long-term financing instrument, covered bonds have become a central pillar of financial stability in Europe and beyond, and form the nexus between harmonised European financial innovation and the traditions that sit within different national legal frameworks. Through the harmonisation and convergence brought about by the entry into force of the Directive and the ongoing pursuit of Basel Committee on Banking Supervision recognition of covered bonds, the covered bond industry continues to broaden its geographical horizons. This could be further enhanced in the near future by third-country equivalence for non-EEA countries.

In the ECBC Fact Book 2024 investor survey, third country equivalence was seen as still too far away for now, however, bank treasuries especially with new third country equivalence regimes would be open to increase their exposure further beyond the already sizeable holdings of covered bonds from countries such as Canada. This would also change the relative value scheme between European and third country covered bond segments given the potentially reduced regulatory costs of holding them for banks.

In the meantime, the Covered Bond Label offers investors a transparent global toolbox to facilitate their due diligence and comparability regarding legislative/supervisory frameworks, cover asset quality and liabilities.

The capacity to ensure access to capital markets is one of the most profound strategic assets of the European Union, impacting the positioning of "System Europe" in the global arena in terms of competition, sustainability and leadership.

**FIGURE 10** | ECBC FACT BOOK 2024 INVESTOR SURVEY: "WHAT IS YOUR VIEW ON COVERED BOND THIRD COUNTRY EQUIVALENCE AS FORESEEN IN THE COVERED BOND DIRECTIVE (MULTIPLE ANSWERS POSSIBLE)?"




*Sources: Crédit Agricole CIB*

## THE MARKET FOR SUSTAINABLE COVERED BONDS

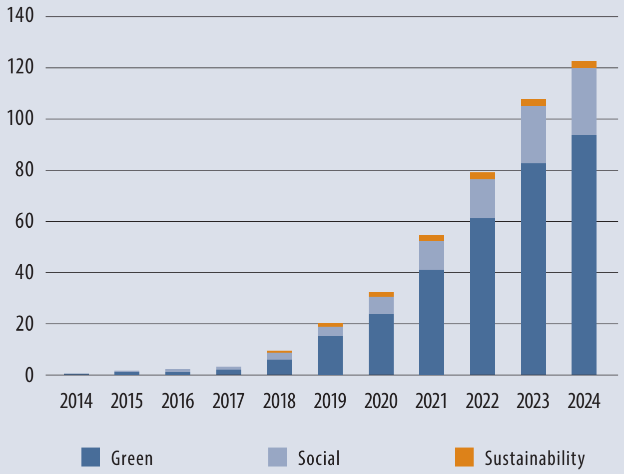
The market welcomed the first sustainable covered bond in 2014 (issued by MünchenerHyp), followed by an inaugural green euro benchmark covered bond in 2015 (issued by Berlin Hyp). Furthermore, the first social covered bond was also issued in 2015. The market for sustainable covered bonds has continued to expand ever since, breaching the EUR 100 bn mark in 2023. By the end of June 2024, the volume of outstanding sustainable covered bonds was above EUR 120 bn.

Sustainable covered bonds are issued in different formats, ranging from green, social, and sustainability covered bonds. The different flavours reflect the different use of proceeds of the bonds. In short, **green covered bonds** are mostly aligned with the ICMA's Green Bond Principles[6], and in some cases they also already comply with the EU Taxonomy with the proceeds of the bonds being used to (re)finance green projects. In the case of covered bonds these are often linked to energy-efficient buildings. **Social covered bonds**

6 https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp/

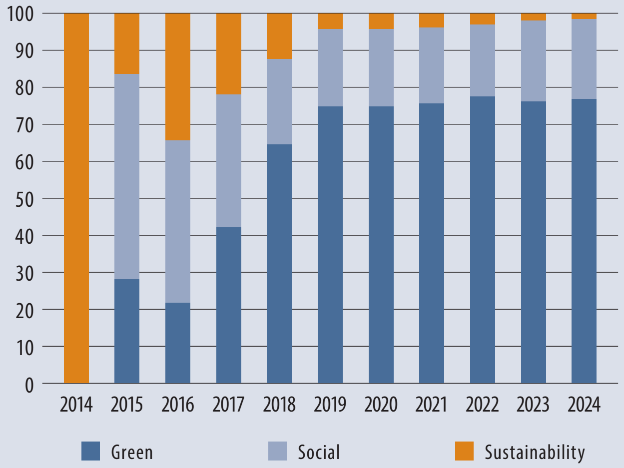
are mostly aligned with the ICMA's Social Bond Principles[7]. The proceeds of these bonds are used to (re)finance social projects, which in case of covered bonds is largely related to affordable housing or public lending, such as for hospitals etc. Finally, **sustainability covered bonds** are aligned with the ICMA's Sustainability Bond Guidelines[8], and they tend to be a mix of green and social projects, for instance, energy-efficiency as well as affordable housing. Green covered bonds form the majority of outstanding sustainable covered bonds, with a 76% share at the end of June 2024. Social covered bonds had a 22% share and sustainability covered bonds a 2% share (see Figure 12). The share between the different categories has remained fairly stable since 2019.

**FIGURE 11 | OUTSTANDING AMOUNT OF SUSTAINABLE COVERED BONDS, EUR BN**




*Sources: ECBC, ABN AMRO, Bloomberg, 2024 data covers H1*

**FIGURE 12 | SHARE OF GREEN, SOCIAL AND SUSTAINABILITY COVERED BONDS IN TOTAL, %**



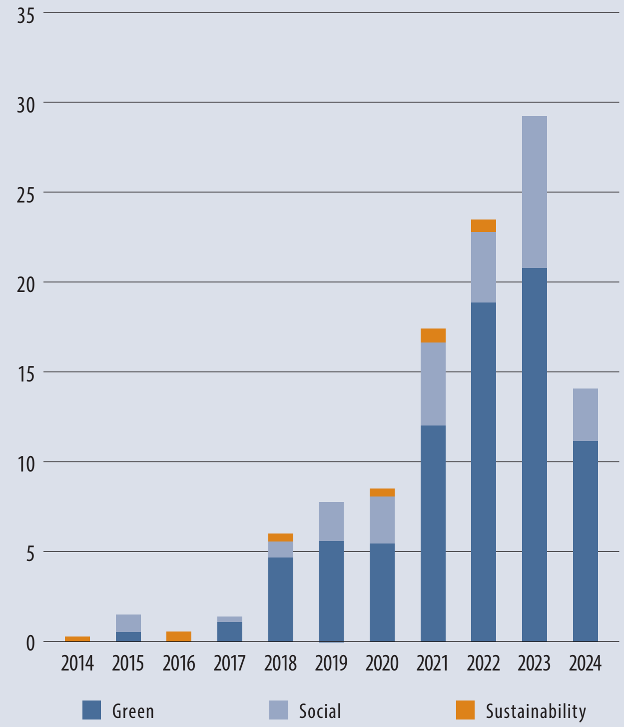

*Sources: ECBC, ABN AMRO, Bloomberg, 2024 data covers H1*

## NEW ISSUANCE OF SUSTAINABLE COVERED BONDS GAINING MOMENTUM

The sustainable footprint of the covered bond market has grown over the years, with new supply having gained real momentum since 2018, setting new records every year. In 2023, new supply of sustainable covered bonds across different currencies reached a volume of almost EUR 30 bn, which was another record. In the first half of 2024, issuance of sustainable covered bonds is already more than half the total amount issued in 2023, implying that the market has continued to expand at a solid pace this year too.

A breakdown by covered bond type shows that the majority of sustainable covered bonds is backed by mortgages (94% of the amount outstanding), with the remaining 6% backed by public sector loans. This mirrors the fact that most sustainable covered bonds are green bonds, financing energy-efficient buildings. Indeed, Figure 14 shows that 96% of green covered bonds are backed by mortgages. This share drops to 84% for social covered bonds, which reflects that public loans tend to have more often a social character. Finally, regarding currencies, the euro accounts for around 75% of total outstanding sustainable covered bonds, while there are also AUD, CHF, DKK, GBP, HUF, NOK, PLN, SEK, and USD denominated sustainable covered bonds.

**FIGURE 13 | NEW ISSUANCE OF SUSTAINABLE COVERED BONDS, EUR BN**




*Sources: ECBC, ABN AMRO, Bloomberg, 2024 data covers H1*

7 https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/social-bond-principles-sbp/

8 https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-bond-guidelines-sbg/

**FIGURE 14 | SUSTAINABLE COVERED BONDS BY COLLATERAL TYPE**


*Sources: ECBC, ABN AMRO, Bloomberg, 2024 data covers H1*

Focusing on the iBoxx euro benchmark covered bond index and taking the June 2024 composition, the total amount of sustainable covered bonds in the index grew from EUR 20 bn in June 2023 to EUR 85 bn in June 2024. This is 8.9% of the total index, which is up from 7.2% a year ago, and more than triple the share three years ago. Of these, EUR 62.4 bn were green covered bonds (6.6% of total index). The share of sustainable euro covered bonds seems on a path to reach a 10% share in the total index in the not-too-distant future, confirming that sustainable covered bonds are becoming less of a niche product, and also underlining the importance that covered bonds can play in financing the energy transition. Indeed, the share of sustainable covered bonds in total issuance of euro benchmark covered bonds was just above 10% in H1 2024. The clarity about what can be classified as energy-efficient buildings within the EU taxonomy, and therefore the mortgages that can be financed by issuance of green covered bonds, is likely to further support issuance of sustainable covered bonds in the coming years.

## MARKET INNOVATION AS A DRIVER FOR CMU OPPORTUNITIES AND SYNERGIES

In the context of the implementation of Basel III, securing a level playing field for lenders and investors is critical to allowing the banking system to finance the breadth of the real economy in Europe, particularly for households, small and medium sized enterprises (SMEs) and public sector financial services.

The existence of a competitive banking sector channelling private investment will reduce the need for public sector interventions, especially in supporting a transition economy. This would allow for the reduction of pressure on European tax payers in strategic sectors such as housing, public finance, ships and SMEs.

The desire to combine the development of new market solutions whilst securing common market best practices rooted in macroprudential features for critical asset portfolios like mortgages and SMEs was the reasoning behind the European Secured Notes (ESN)[9] initiative. This combines existing covered bond dual-recourse techniques and best market practices aimed at establishing a funding solution – framed by an EU legislative initiative – for lenders and a new product for institutional investors, which would also be accessible in a stress scenario acting as an anti-cyclical funding tool providing support for the real economy. SMEs represent the backbone of the European economy, as shown by the numbers in 2023[10] (see Figure 15).

**FIGURE 15 | STRATEGIC SIGNIFICANCE OF SME SECTOR, DATA FOR 2023**

| Class size | Number of enterprises | | Number of persons employed | | Value added | |
|---|---|---|---|---|---|---|
| | Number | Share | Number | Share | Billion € | Share |
| Micro | 22,744,173 | 93.5% | 38,790,351 | 29.4% | 1,419.4 | 18.6% |
| Small | 1,322,200 | 5.5% | 25,602,334 | 19.4% | 1,259.8 | 16.5% |
| Medium-sized | 204,786 | 0.8% | 20,493,722 | 15.5% | 1,266.5 | 16.6% |
| SMEs | 24,281,159 | 99.8% | 84,886,407 | 64.4% | 3,945.8 | 51.8% |
| Large | 43,112 | 0.2% | 46,918,978 | 35.6% | 3,673.8 | 48.2% |
| Total | 24,324,271 | 100.0% | 131,805,385 | 100.0% | 7,619.6 | 100.0% |

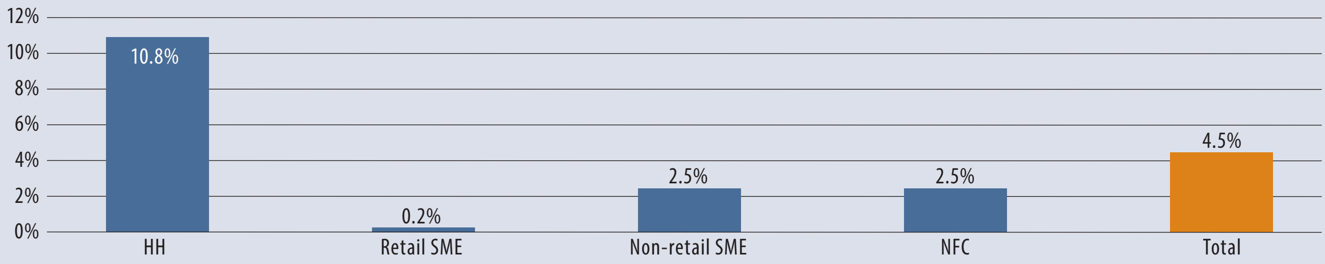
*Sources: ECBC, ABN AMRO, Bloomberg, 2024 data covers H1*

Considering their crucial contribution to the EU's competitiveness, SMEs need to be safeguarded by ensuring that a continuous flow of investment can be directed to them, through both bank and non-bank funding. Coupled with other features of the envisaged Capital Market Union, such as channelling private investments to the corporate sector, this could help bridge the competition gap that the EU has with other regions of the world.

Market-led developments such as the Covered Bond Label HTT and the Energy Efficient Mortgages Initiative have contributed significantly to building a strong market due diligence ethos. This has helped to enhance disclosures and allow for the inclusion of regulatory novelties such as taxonomy best practices, which has made the housing sector the greenest asset class in the single market. Furtehrmore, we believe that the potential development of green ESNs could spur a similar market evolution in the same way that green loans for housing have demonstrably benefitted from the introduction of green covered bonds (fostered by the inclusion of ESG data in the HTT).

9 https://hypo.org/ecbc/market-initiative/european-secured-note/
10 https://single-market-economy.ec.europa.eu/document/download/b7d8f71f-4784-4537-8ecf-7f4b53d5fe24_en?filename=Annual%20Report%20on%20European%20SMEs%202023_FINAL.pdf

**FIGURE 16** | SHARE OF GREEN LOANS IN TOTAL LOANS BY BUSINESS LINE




*Sources: European Banking Authority report on Green Loans and Mortgages*

Moreover, this could boost the greening of SMEs, which are currently lagging behind in terms of green investment as indicated in the EBA report on Green Loans and Mortgages[11] (Figure 16).

In terms of the potential appetite from stakeholders involved in the development of ESNs (issuers, investors and SMEs), it is important to highlight two main points:

1| On the issuers' side, the appetite to start issuing ESNs as a recurring programme based financing tool is growing. This comes in light of the recent inflationary context with rising interest rates which proved challenging for European businesses and even more so for SMEs, especially after the winding-down of the Targeted Long-Term Refinancing Operation (TLTRO) by the European Central Bank (ECB), which allowed for many years of affordable SME financing and also the unrated corporates treatment in the recently approved Capital Requirements Regulation (CRR). In this context, ESNs would be used as a multiple-purpose instrument: a recovery tool when the EU economy is under stress, and in more stable times as an instrument to respond to competitive challenges at the global level for European SMEs, which are mostly export-orientated, as well as leverage to channel ESG investments for SMEs.

2| Due to their financial structure, ESNs would be positioned between covered bonds and securitisation in terms of yields, creating an interesting investment product for institutional investors.

Drawing on a traditional background and by introducing innovation rooted in sound supervisory and legislative frameworks, ESNs have the potential to serve as a market catalyst and offer investors an additional means to develop deeper and broader CMU opportunities whilst respecting the recognised specificities of the covered bond and securitisation sectors. The ECBC established a specific task force elaborating proposals and a blueprint[12] for ESN and its potential regulatory recognition.

In the context of the rethinking of the Capital Markets Union, it is important to underline the critical complementarity in securing optimisation of access to capital markets played by both covered bonds (together with ESN) and securitisation, two key mechanisms for bank funding and capital market development, albeit each with distinct structures, risk profiles and regulatory frameworks. Covered bonds are a strictly regulated financing instrument where credit risk remains in the banking book and is managed by the issuer, even after its insolvency, whilst the investor has a dual recourse claim on both the issuer itself and the cover pool. In the case of securitisations, a portion of the credit risk is transferred to investors and, upon certain triggers being met, the management of the portfolio generally passes to a third-party. In the context of the current political debate, these instruments play unique but mutually reinforcing roles in the financial ecosystem offering:

1| **Diverse Funding Sources:** Covered bonds and securitisation provide banks with diverse funding options. Covered bonds offer stable, long-term funding with lower risk, while securitisation allows banks to offload a high variety of assets and free-up regulatory capital.

2| **Market Stability and Resilience:** The dual recourse nature of covered bonds contributes to financial stability, particularly in times of crisis. Securitisation, by distributing risk across a broad base of investors, enhances market resilience through accrued risk sharing and supports credit availability, where a specific prudential framework is in place to take into account the diversity of the product.

3| **Enhanced Liquidity:** Both instruments contribute to market liquidity. Covered bonds are typically highly liquid, making them attractive for institutional investors. Securitisation can create liquidity for less liquid asset classes, broadening access to capital markets.

4| **Investor Diversification:** The different risk profiles and structures of each asset class attract a wide range of investors, from conservative to risk-seeking. This diversification of investor base enhances the robustness and depth of capital markets.

5| **Regulatory Balance:** Fair regulatory frameworks for both covered bonds and securitisation under the CMU ensure high standards of transparency, quality and investor protection, fostering trust and participation in European capital markets, taking into account the

11 https://www.eba.europa.eu/sites/default/files/2023-12/e7bcc22e-7fc2-4ca9-b50d-b6e922f99513/EBA%20report%20on%20green%20loans%20and%20mortgages_0.pdf

12 https://hypo.org/ecbc/market-initiative/european-secured-note/

specificities of the two instruments. Every regulatory treatment and change should always be based on an adequate risk assessment.

6| **SME Financing:** ESN and SME securitisation are mutually complementary as ESNs would be issued on the basis of an issuance programme, therefore acting as a resilient funding instrument for SMEs, especially in times of market volatility where issuers can react quickly according to the economic context, whereas securitisations would finance SMEs through investors' differing risk appetites and would be issued via stand-alone transactions in periods of market stability. Furthermore, ESNs are also complementary to the important on balance sheet SME securitisations, which are currently allowing banks to off-load portions of their regulatory capital, ensuring new lending to the real economy.

7| **Economic Growth:** By improving access to finance for banks and businesses, both instruments support economic growth. Covered bonds provide stable funding for mortgages and public sector projects, while securitisation may facilitate credit for a whole range of economic sectors, including SMEs and consumer lending.

## ECBC POLICY CONSIDERATIONS

With a view to systemically reinforcing financial stability and supporting the real economy, the ECBC stands ready to take leadership in the development and promotion of market initiatives that could maximise the complementarity of covered bonds, ESNs and securitisation. In the context of the CMU debate, this complementary set of options for both investors and issuers would support the transition economy. Against this background, market participants' minds could be focused on:

- **Promoting Harmonisation:** Continue to work with market initiatives like the Covered Bond Label and its HTT. They are driving harmonisation across markets at a global level, thereby enhancing transparency with standards and disclosure best practices, promoting market confidence and facilitating compliance due diligence.
- **Supporting Innovation:** Encourage innovation in both asset class markets to adapt to changing financial landscapes and meet diverse funding needs. Market innovations such as extendable maturities, green covered bonds and European Secured Notes (ESNs) represent intellectual innovations which have allowed the Industry to adapt and perform robustly in a changing market and regulatory environment, with unprecedent policy dynamism.
- **Monitoring Risks:** Maintain robust supervisory frameworks to monitor and manage risks associated with both instruments, ensuring financial stability.

## CONCLUSIONS

In summary, covered bonds remain a central means to help guarantee the resilience of EU capital markets and it is therefore fundamental that the current specificities upon which this strength is founded are preserved going forwards. In addition, European Secured Notes and securitisation can play complementary roles in the further development of the CMU, by providing diversified funding options and by enhancing market stability whilst supporting economic growth. By leveraging on the unique strengths and prudential regulation of each asset class, the CMU can give rise to a more integrated, more resilient and more efficient European capital market, which will be capable of financing the competitiveness of the EU in the years to come.

This strategic complementarity also offers unique value in terms of the ability of these asset classes to support the transition to a climate-neutral economy due to their pivotal role in forging a path to sustainable growth, stability and shared prosperity. With its 3 trn of bonds outstanding, the covered bond market continues to expand and evolve towards financing sustainable sectors, transcending borders and bridging gaps between capital markets and the real economy.

The intellectual leadership and market governance guaranteed by the ECBC through its analysis and proactive coordination of market developments encompasses the essence and collaborative spirit of the ECBC members' work, which amalgamates different cultures, perspectives but – more importantly – legal and financial features into a common qualitative and quantitative perimeter. Over the years, this approach has become the true fil rouge of our Industry's modus operandi, always ready to adapt to challenges whilst preserving asset quality and investor protection.

In this way, our community has fostered a covered bond philosophy with clear macroprudential characteristics, ensuring capital market accessibility and financial stability for mortgage and housing markets.

During more recent periods of market turmoil, pandemic and technological innovation, the wider EMF-ECBC community has played a prominent role as a market catalyst. Through its working groups, technical committees and task forces, the EMF-ECBC has developed unrivalled technical knowledge and centres of competence in relation to the mortgage and covered bond businesses in Europe and beyond. By employing a think-tank approach and adopting a clear global market governance structure, the EMF-ECBC leverages this expertise to minimise market disruption, whilst delivering active coordination and implementation of initiatives such as those cited above and through the Energy Efficient Mortgages Initiative (EEMI)[13] or the Energy Efficient Mortgage Label (EEM Label)[14] and its Harmonised Disclosure Template (HDT)[15].

13 https://energyefficientmortgages.eu/

14 https://www.energy-efficient-mortgage-label.org

15 https://www.energy-efficient-mortgage-label.org/hdt

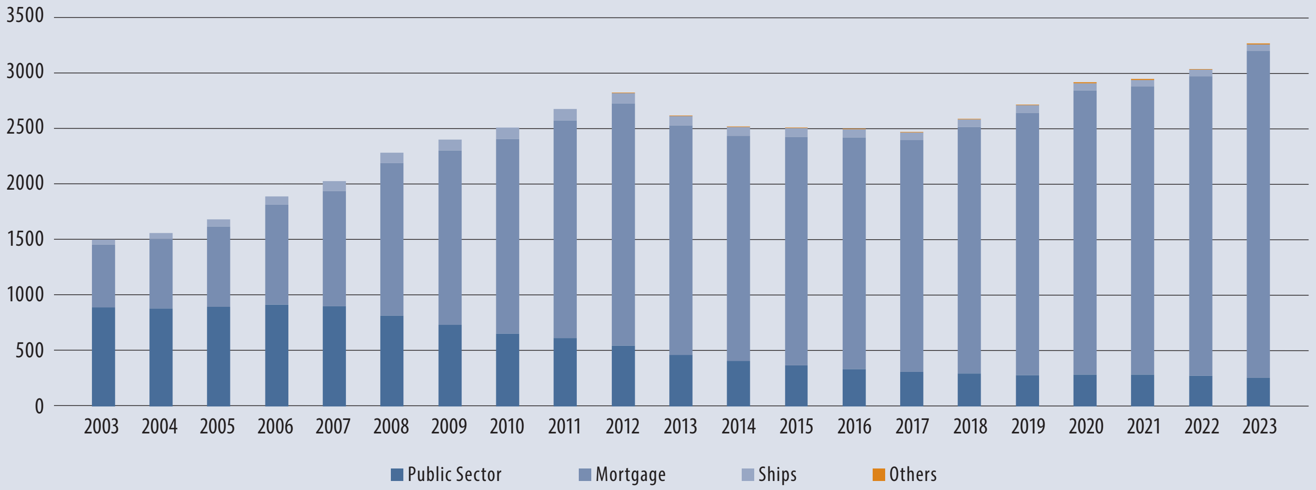
The EMF-ECBC remains at the disposal of the European Banking Authority and the other European Institutions to share its expertise in the covered bond and mortgage credit sectors with a view to ensuring a strong, stable and sustainable future for all stakeholders.

**FOR FURTHER INFORMATION ABOUT:**

- **ECBC:** https://hypo.org/ecbc/
- **European Secured Notes (ESNs):** https://hypo.org/app/uploads/sites/3/2024/08/ECBC-ESN-Blueprint-July-2024.pdf
- **ECBC European Covered Bond Fact Book:** https://hypo.org/app/uploads/sites/3/2024/08/FactBook-2024_web.pdf
- **ECBC Statistics:** https://hypo.org/app/uploads/sites/3/2024/08/Statistic.pdf
- **EMF Hypostat:** https://hypo.org/app/uploads/sites/3/2024/08/HYPOSTAT-2024_web.pdf

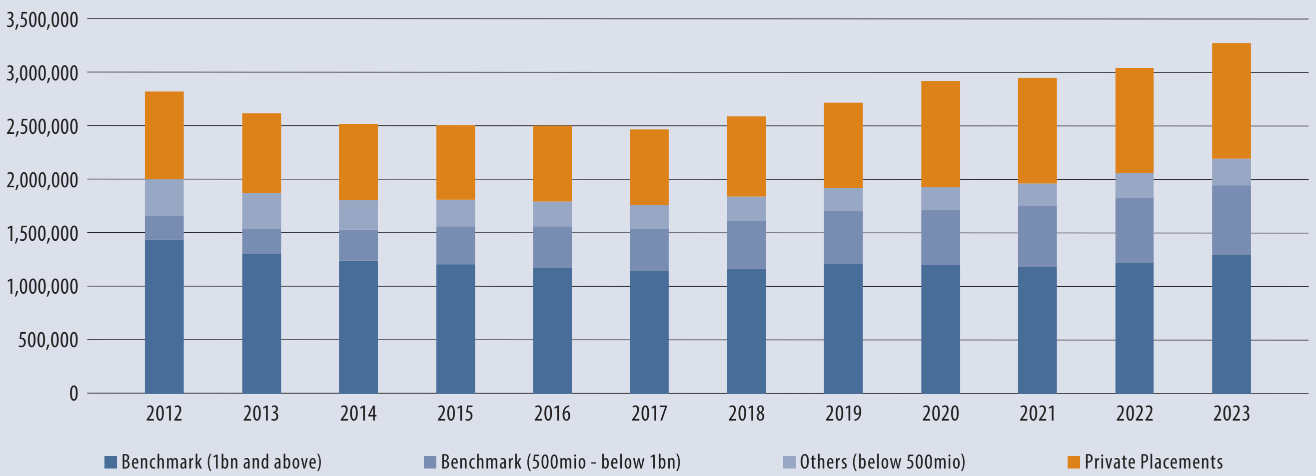
## STATISTICAL ANNEX

**FIGURE 17** | OUTSTANDING COVERED BONDS BY TYPE, EUR BN



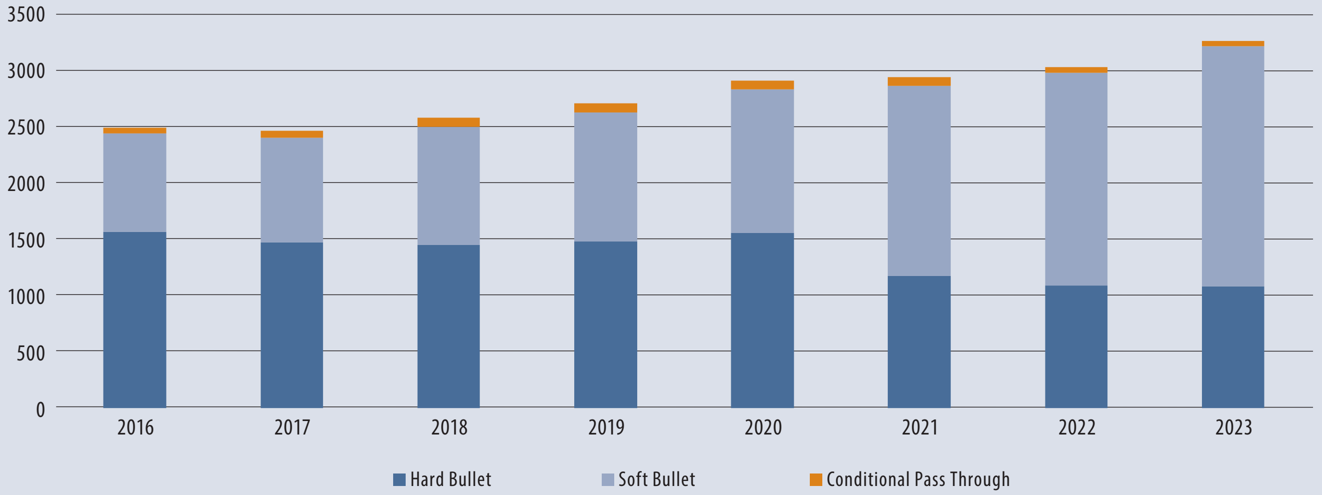

*Sources: ECBC*

**FIGURE 18** | OUTSTANDING COVERED BONDS BY SIZE, EUR BN




*Sources: ECBC*

**FIGURE 19** | OUTSTANDING COVERED BONDS BY STRUCTURE, EUR BN




*Sources: ECBC*

*The views and opinions expressed in this article are those of the authors and do not necessarily reflect the views or positions of the EMF-ECBC.*

# Portuguese Real Estate Clock: contraction is not on the cards

By Tiago Belejo Correia, BPI Research

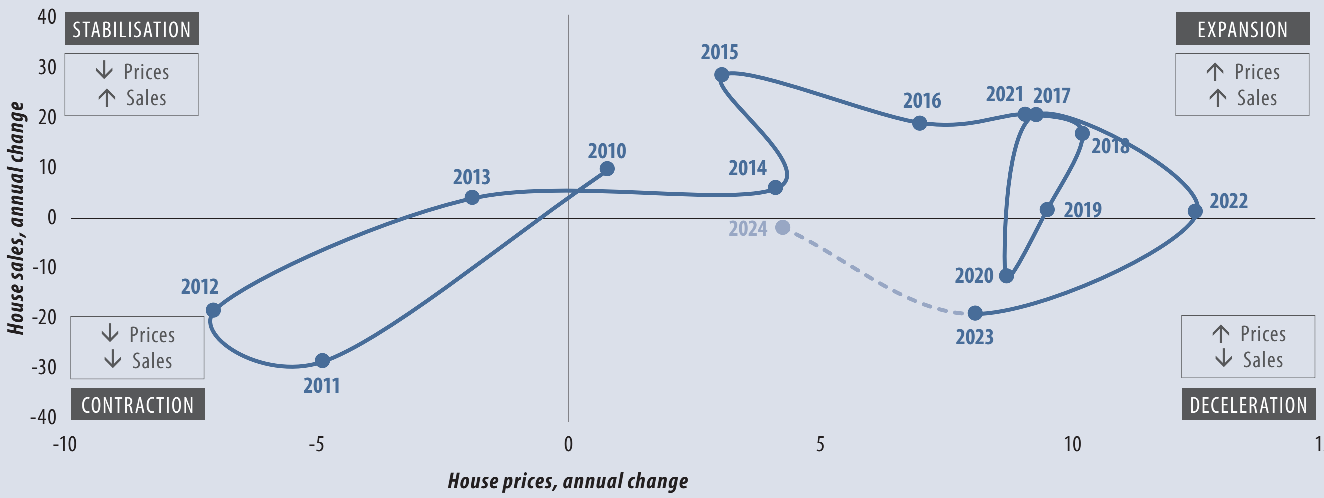
## HOUSING MARKET

At this time of year, in 2023, we anticipated a more modest behavior in residential property prices: an average variation of 4% over the year followed by a correction in 2024 (-2.1%). Combining what was already happening at the time – a very significant year-on-year reduction in the number of transactions – with the fact that the ECB was still raising its benchmark interest rates, an adjustment in prices was justified, as was the case in other developed markets. This didn't happen – the average price change in 2023 was +8.2% and transactions fell -18.7%, placing the dynamics of the residential property market in what we call a deceleration context (see graph): a reduction in sales, but an increase in prices. In fact, property appreciated less than in the previous six years, but continued to appreciate robustly.

Several factors are behind this favorable behaviour. The economy has grown more than expected and the labour market has been resilient, with unemployment at very low levels. Despite the significant reduction in sales compared to 2022, the quarterly average of transactions over the past year is equivalent to that of the period between 2015 and 2022 (around 34,000 homes/quarter). In other words, fewer sales than at the peak, but still at high levels. We also know that, according to data from the Bank of Portugal, mortgage loans made in recent years represent a significant slice of the total stock of loans and are mostly made to households in the upper income quintiles. They are therefore less exposed to the erosion of net disposable income caused by the inflationary surge of recent years.

Having said this, we don't foresee any price corrections in the next few years. Looking to the near future, we anticipate a further slight drop in sales this year (-1.7%), with prices also growing more moderately (+4.3%). On the one hand, the major macroeconomic support factors should weaken slightly – we predict lower GDP growth and a minor increase in the unemployment rate. On the other hand, although we project interest rates to continue above pre-pandemic levels, we also expect them to fall. Lower interest rates and greater visibility about the cuts by the ECB will bring greater confidence to agents in this market and improve affordability metrics. Add to this the continuation of positive migratory balances, resilient demand and a property supply that won't take off significantly, and we see the market quite underpinned. On the other hand, there may be some uncertainty in the political field or legislative measures that will affect the fundamentals of this market, although the tangible effects of these initiatives are usually somewhat delayed. One example of these measures is the exemption from paying IMT[1] on house purchases for young people under 35. The measure came into force on the 1st of August and may have left some transactions on stand-by in recent months.

**RESIDENTIAL PROPERTY CLOCK**
ANNUAL CHANGE, %



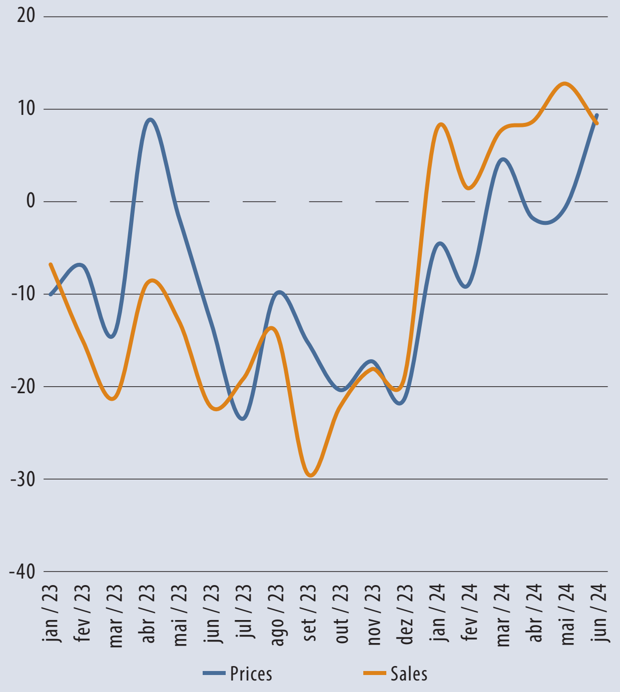

*Sources: BPI Research, based on INE data.*

1 Municipal tax that is paid by the buyer every time a housing transaction is made.

The beginning of the current year has revealed some encouraging data: house prices rose 7% year-on-year in the first quarter (INE data). Alternative sources to the INE report that prices continue to rise. Specifically, the index drawn up by Confidencial Imobiliário shows that residential prices in June are 4.1% higher than at the end of 2023. Housing loans are also increasing, with 7,631 million euros having been signed up to June. This is almost 30 per cent more than in the same period in 2023, although some of this may relate to transfers of existing credit to another bank[2].

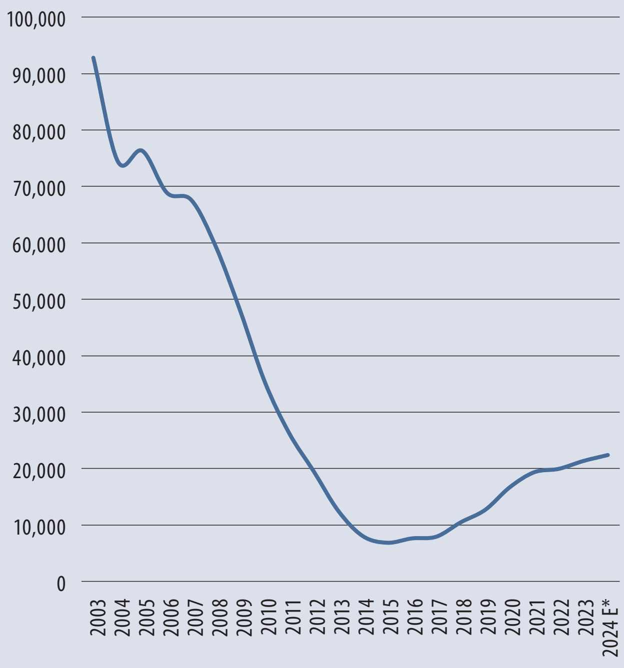
Naturally, another factor that has often been pointed to as a driver of price behaviour on the Portuguese market is the shortage of supply. In particular, the lack of new dwelling construction: the last few years have combined the event of record numbers of homes sold with record numbers (on the downside) of new homes built. The 2024 figures still don't point to any significant upward take-off, either in terms of houses built or new building licenses issued (which would allow a pipeline to be set up in the future). Looking forward, we analyzed the expectations of players in this market through surveys[3]. Regarding the volume of sales, the indicator has been posting positive net balance readings from January 2024 onwards. Alongside, the indicator about future prices recovered in June to positive ground after two months of negative net balance readings. Summing up, all this moves the "Residential property Clock" away from the contraction scenario: for 2024 we place it in the same quadrant as 2023 – that of deceleration.

**EXPECTATIONS FOR PRICES AND SALES (NEXT 3 MONTHS)**
BALANCE OF SURVEYORS (%)




*Sources: BPI Research, based on Confidencial Immobiliàrio data.*

**NEW DWELLINGS BUILT**




2024 E* – BPI Research Forecast based on Q1 data.
*Sources: BPI Research, based on INE data.*

## THE ACQUISITION OF HOUSING BY FOREIGNERS: GENERAL CONSIDERATIONS AND THE CASE OF LISBON

When we look back at 2023, it's easy to conclude that demand from people with tax residency outside Portugal was much more resilient than from residents. In fact, in 2023, year-on-year, transactions with resident buyers fell by -20% while demand from people with tax residency outside Portugal declined by only -3%. In other words, demand from non-residents has been a clear factor supporting this market. Indeed, demand from residents outside the European Union increased by 9%.

In 2023, the region of Lisbon (enlarged) accounted for 18% of all home sales in the country. If we focus on buyers whose tax residence is outside Portugal and the EU, they account for 23% of all the sales completed in the region of Lisbon. The increase in demand and prices in this region has a contagion effect on other regions, such as the Setubal Peninsula, Western Portugal and the Tagus Valley. We therefore consider it appropriate to analyze in detail the main characteristics of foreign demand in Lisbon. We do so in the following paragraphs.

2 In 2023, 27% of new mortgage lending operations were related to transfers to other banks.
3 Confidencial Imobiliário monthly survey to a panel of real estate agents and developers.

**AMOUNT AND NUMBER OF HOUSE TRANSACTIONS BY BUYER TAX RESIDENCE**

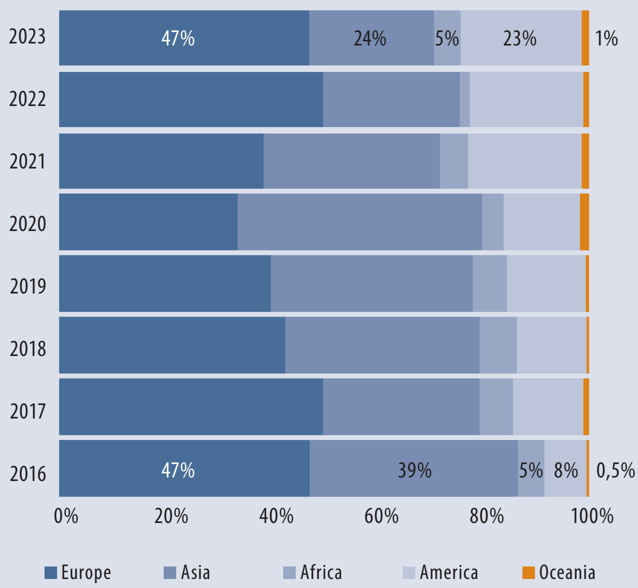
| Period | Buyers tax residence | | | |
|---|---|---|---|---|
| | European Union | | Other countries | |
| | Amount ($10^3$ euros) | N° | Amount ($10^3$ euros) | N° |
| 1Q2019 | 386.324 | 1,554 | 186,996 | 586 |
| 2Q2019 | 366,516 | 1,554 | 219,072 | 603 |
| 3Q2019 | 382,608 | 1,640 | 192,964 | 611 |
| 4Q2019 | 369,930 | 1,594 | 242,533 | 669 |
| 1Q2020 | 313,328 | 1,307 | 297,864 | 745 |
| 2Q2020 | 159,241 | 654 | 178,526 | 516 |
| 3Q2020 | 337,856 | 1,311 | 227,608 | 665 |
| 4Q2020 | 338,217 | 1,359 | 256,057 | 697 |
| 1Q2021 | 208,215 | 833 | 222,672 | 626 |
| 2Q2021 | 245,002 | 960 | 302,991 | 753 |
| 3Q2021 | 318,638 | 1,316 | 452,583 | 1,142 |
| 4Q2021 | 374,368 | 1,448 | 762,007 | 1,845 |
| 1Q2022 | 379,725 | 1,435 | 464,698 | 1,121 |
| 2Q2022 | 475,747 | 1,555 | 531,720 | 1,228 |
| 3Q2022 | 420,749 | 1,486 | 508,749 | 1,281 |
| 4Q2022 | 368,694 | 1,336 | 489,605 | 1,280 |
| 1Q2023 | 363,245 | 1,269 | 510,547 | 1,223 |
| 2Q2023 | 349,238 | 1,174 | 522,120 | 1,361 |
| 3Q2023 | 335,350 | 1,349 | 566,175 | 1,392 |
| 4Q2023 | 345,577 | 1,233 | 574,827 | 1,390 |
| 1Q2024 | 263,344 | 989 | 433,654 | 1,078 |

## LISBON: ORIGIN OF THE BUYERS

When we analyze the origin of home buyers, we see an increase in the representation of foreigners from the American continent. In fact, buyers from the Americas accounted for 23% of all purchases by non-residents in 2023 (see first chart), compared with 8% in 2016. This increase contrasts with the decrease in the representation of Asian buyers, particularly in recent years after the pandemic. This trend is not unrelated to the strict health restrictions imposed in several countries of this region, especially China: the Chinese accounted for 33% of all purchases made by Asian buyers in 2023, but their relevance has declined significantly in recent years (only 106 purchases in 2023, 62% less than the average in the period 2016-2020). European buyers continue to hold the top spot in terms of home purchases by foreigners, with 47% of all acquisitions.

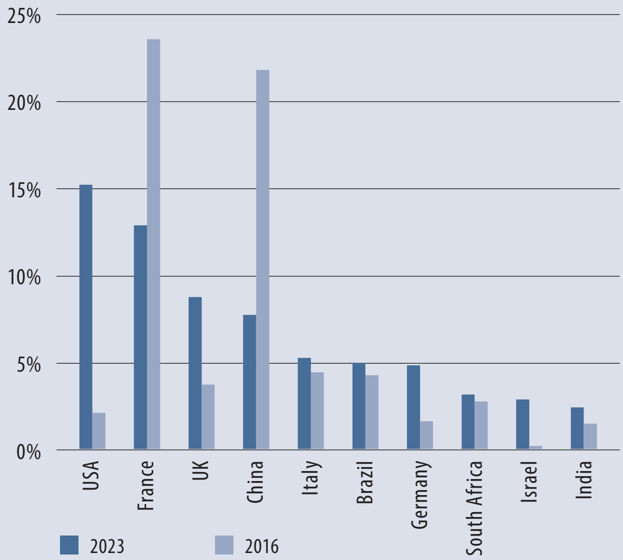
Some 40 nationalities are represented in the home purchases made by foreigners in Lisbon, although the top 10 represent around 70% of the total. In 2023, US citizens led the ranking, with 15.2% of the total, followed by the French (12.9%) and the British (8.7%). We can see also the reconfiguration of the nationality mix, with a significant increase in the role of US buyers compared to 2016 (from 2% to 15%), ousting the French from the top spot in the process. There has been also a marked reduction in the relative weight of buyers from China (from 22% to 7%). Whereas in 2016, French and Chinese nationals accounted for almost half of all purchases by non-residents, in 2023 they accounted for just 21%.

**ACQUISITION OF HOMES BY FOREIGNERS IN LISBON**
% OF THE TOTAL PURCHASES BY FOREIGNERS, SPLIT BY CONTINENT




*Sources: BPI Research, based on Confidencial Immobiliàrio data.*

**ACQUISITION OF HOMES BY FOREIGNERS IN LISBON**
% OF THE TOTAL PURCHASES BY FOREIGNERS, SPLIT BY NATIONALITY OF THE BUYER




*Sources: BPI Research, based on Confidencial Immobiliàrio data.*

## COMMERCIAL REAL ESTATE

The president of the European Central Bank (ECB), Christine Lagarde, said in March that "supervisors will continue to closely monitor the risks" of banking in the eurozone, and in particular "banks' exposure to vulnerable sectors such as commercial real estate". As far as the Portuguese banking sector is concerned, exposure to commercial real estate is contained, both in comparison to other countries and with the sector's exposure to residential property. In 2023 year end, loans to companies secured by commercial real estate (CRE loans) totaled 21.6 billion, 5% of the banking system's total assets on a consolidated basis. This figure compares with 113 billion euros in loans to individuals secured by real estate, mainly housing, (26% of total assets). As stated by the Bank of Portugal in its financial stability report (May 2024) "Loans to companies secured by commercial property are concentrated in SMEs and spread across various sectors of activity. In many cases, the property securing the loan is a property held by the company to carry out its business and not as a real estate asset held with a view to investment to generate income through rental or sale".

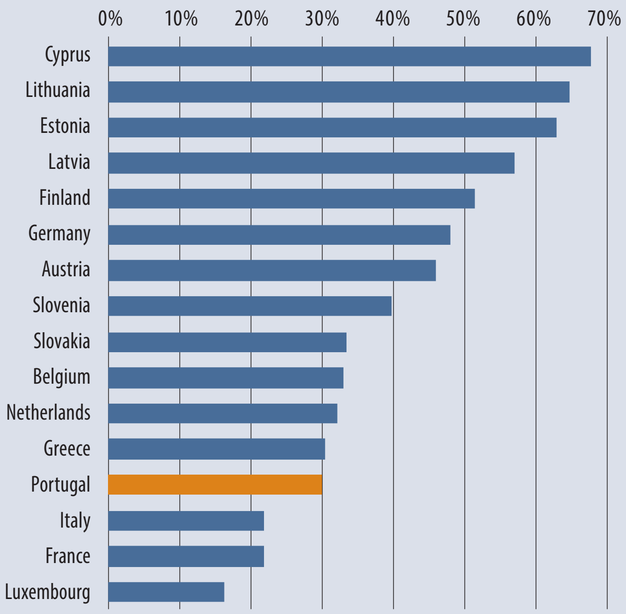
In 2023, according to the "Iberian Property Data", investment in commercial property in Portugal totaled 1,644 million euros and this volume reflects a strong compression compared to the previous year (-46%). Hotel properties were the main target for investment in 2023 (43% of the amount transacted), the second largest segment was retail (34% share) and then offices (9% share).

In the eurozone, the prices of these assets fell by 8.2 % (after 1.5% in 2022), reaching falls of around 11% in France, Ireland and the US. This trend was across the board, with the exception of Portugal. In contrast, in Portugal, commercial property prices remained resilient in the different segments, growing by 1.2% in 2023 in aggregate terms (2.5% in 2022). These figures took place in a global environment of high interest rates, inflation and conflicts in Europe and the Middle East that lead global investors to be more cautious and to put investment decisions on hold.

In Portugal the behaviour of this market as a whole appears to be similar to the moment we've been experiencing in residential property: dynamic demand in some segments, foreign investment and a shortage of suitable supply, which, combined with economic growth and high employment levels, have been supporting prices. Therefore, with cuts in reference interest rates as early as 2024, the outlook for this year is more favourable.

*This article is a publication by Banco BPI Research that contains information and opinions from sources considered to be reliable. This document is for informative purposes only and Banco BPI is not liable in any way for any use made thereof. The opinions and estimates are those of the Banco BPI Research and are liable to change without prior notice.*

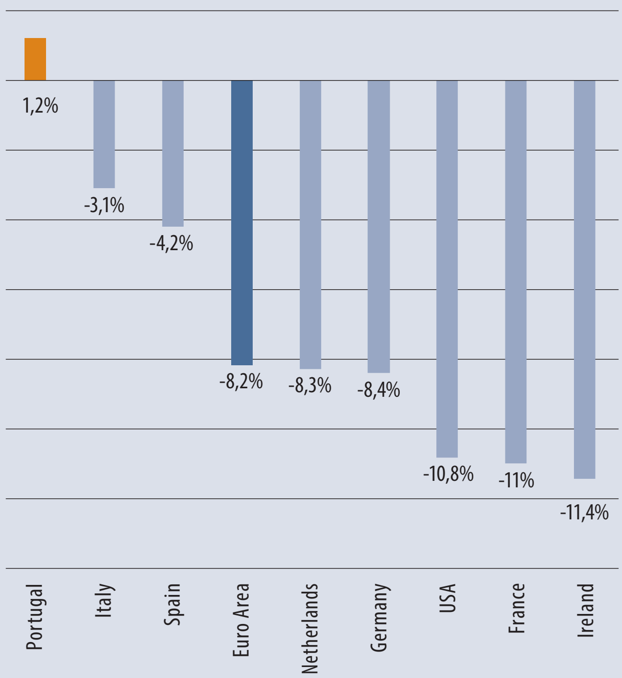
**LOANS TO NFCS SECURED BY REAL ESTATE (%)**




NOTES: Data on a consolidated basis (september 2023). Ratio obtained from net impairment values. Includes loans to NFCs secured by commercial or other property. Data not available for Spain and Ireland.

*Sources: BPI Research, based on ECB and Bank of Portugal data.*

**CHANGE IN CRE PRICE INDEX (%)**




*Sources: BPI Research, based on MSCI data.*

*The views and opinions expressed in this article are those of the authors and do not necessarily reflect the views or positions of the EMF-ECBC.*

# A Guarantee System for the Development of Real Estate Energy Renovation

Harley Dikkinson

## INTRODUCTION

The construction sector is currently facing complex challenges, highlighting the need for a comprehensive revision of policies related to incentives and financing guarantees. Understanding these changes is crucial **to achieving the ambitious objectives of the European Directive on "Green Homes" (EPBD) and ensuring a sustainable future to building stock.** Over 85% of European buildings were built before 2001, and many contribute significantly to energy consumption and pollution.

To address this challenge, **it is essential to develop tools and protocols that ensure the sustainability and effectiveness of interventions.** In Italy, the "Superbonus 110%" initiative highlighted the paramount importance of well-structured incentives, but it is equally crucial to develop a specific protocol for condominiums that guarantees the protection and reliability necessary for the sector.

## FROM THE SUPERBONUS TO THE EPBD DIRECTIVE

In recent years (2020-2023), the construction sector in Italy has experienced unprecedented growth due to the **"Superbonus 110%".** This fiscal incentive aimed **to promote energy efficiency upgrades** and seismic safety improvements in buildings by covering 110% of renovation costs. Even during a historically challenging period marked by the Covid-19 pandemic and the outbreak of the Russo-Ukrainian conflict, the incentive fostered renovation projects that reduced carbon emissions and, more generally, stimulated the country's economy.

Despite its success in encouraging renovation work, the "Superbonus" also presented challenges, such as soaring costs and cumbersome bureaucracy, underlining **the importance of proper financial planning.**

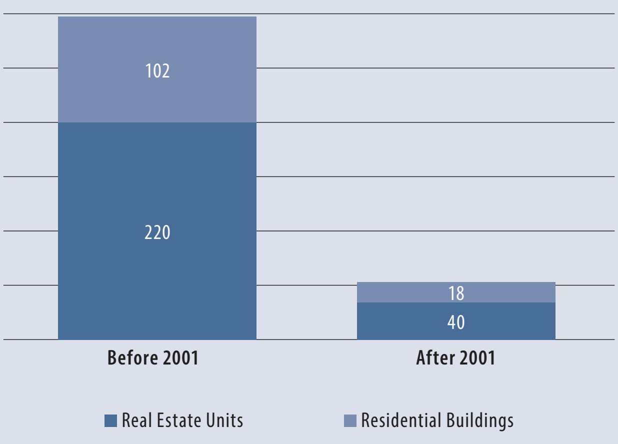
Undoubtedly, the financial burden of the interventions for the energy efficiency of building stock has emerged as a topic issue, following the reduction of the incentives to 70% (and subsequently to 65% and 30%) and the cancellation of the discount on the invoice.

The full advance payment of costs by the condominium owners represents a significant challenge, causing them to lose sight of the concrete advantages that come with the renovation of buildings: an increase in property value over time, savings on utility bills, a reduction in carbon dioxide emissions, improved health conditions, and greater resilience to climatic conditions. These benefits apply both to property owners and to tenants.

Within the European Union, the renovation market was valued at approximately $230 billion in 2020 (€206 billion at the current exchange rate), but the residential energy renovation sector holds particular importance: more than 220 million housing units – equivalent to 85% of Europe's real estate stock – were built before 2001 (Graph 1). It is important to note that 85-95% of today's buildings will still be in use in 2050 and are responsible for 40% of energy consumption and 36% of overall pollution.

In the residential market across Europe, there are about 120 million buildings, 85% of which were constructed before 2001, and approximately 75% of these buildings require energy upgrades.

OLD RESIDENTIAL BUILDINGS IN EUROPE (MILLION)



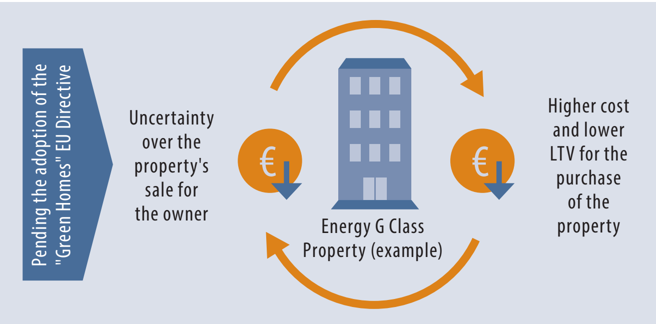

*Source: European Commission, COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITEE AND THE COMMITEE OF THE REGIONS. ARenovation Wave for Europe - greening our buildings, creating jobs, improving lives, 2020.*

According to **the roadmap outlined by the Directive** starting from January 1, 2025, the replacement of gas boilers will no longer benefit from incentives: those wishing to replace a traditional boiler with a gas condensing boiler will not be eligible for tax deductions, marking a significant step towards the phase-out of gas systems by 2024. Additionally, the Directive aims for a 16% reduction in energy consumption by 2030 and a 25% reduction by 2033.

**It is evident that these milestones require significant interventions not only on the building systems but also on the building envelopes.** The adoption of photovoltaic systems and hybrid solutions will be essential, as will be the increased specialization and continuous training of industry professionals.

**However, to make this goal attainable, it's crucial to ensure that the necessary financing is accessible to everyone, regardless of the economic capacity of property owners** (see Graph 2).

Ensuring accessible and comprehensive funding for projects that achieve energy efficiency improvements and decarbonization outcomes is essential to meeting the ambitious targets set by the European Energy Performance of Buildings Directive (EPBD) and the Taxonomy Regulation. Only through a well-structured incentive system that provides full financial coverage to the most vulnerable can Italy and Europe be steered toward an energy-sustainable future. This approach will not only contribute to achieving climate goals but will also enhance the quality of life for citizens, making energy efficiency an opportunity for all rather than a privilege for the few.




However, to secure financial guarantees, it is necessary to ensure quality control and risk management across the entire supply chain involved in the renovation process. This includes guaranteeing that qualified companies operate with an ESG (Environmental, Social, and Governance) focus, that certified professionals with expertise in Green Building are engaged, and that energy-efficient renovations for residential buildings are carried out with a smart approach, leveraging Building Automation and IoT integration. Merely relying on ex-post commissioning of completed works is considered insufficient to provide financial institutions with the assurance needed for long-term loans. For this reason, the digitalization of the energy system in residential (and tertiary) buildings enables a system for measuring and monitoring the sustained reduction of carbon dioxide emissions over time, as well as the management of carbon credits.

## HARLEY&DIKKINSON'S EXPERTISE

Harley&Dikkinson (H&D), with over 20 years of experience in building renovation and energy efficiency sector, has faced these challenges both before and during the "Superbonus" initiative by introducing a unique operational model in the Italian residential market to successfully manage the renovation of **more than 7,000 condominiums.**

H&D stands out for providing **comprehensive guidance and cutting-edge digital tools.** As of today, the company has managed works worth 4.5 billion euros and processed, through customized platforms, documentation for 100,000 projects. The company has worked closely with more than 1,000 large construction enterprises and 15,000 small businesses by creating a cohesive and reliable network of innovation-oriented partners which include building companies, installers, designers, architects, certified professionals, condominium managers, trade and industrial associations.

**The highly perfomant fintech platforms developed by H&D**, ensured optimal data management and ongoing monitoring across various projects, supporting the operations of the real estate supply chain and delivering tangible value and improved results for investors and financiers that can be summarized as it follows:

- **Commissioning:** On-site control and monitoring of work execution; management of the documentation relating to technical report certifying congruency between works executed and maximum achievable tax deductions, with the aim to protect e condominium and administrator;
- **Selection and Due Diligence of Companies:** companies' selection includes organizational, economic and financial evaluation, regulatory and anti-corruption requirements assessment, references and reputational profile;
- **Servicing:** management and monitoring of the entire tax credit sale process and related adminustrative and financial documents in compliance with regulations in force and based on specific internal protocols conceived to guarantee reliability and precision. As ultimate phase, the system grants the final purchaser administrative and documentary authorization for credit acquisition, issuing a rating class.

### Harley&Dikkinson at a glance

- €4.5 value of the projects completed (6% of the Italian condominium stock renovated).
- 100,000 cases managed.
- 9,000 designers and professionals involved.
- 1,000 large construction companies.
- 15,000 small businesses and craftsmen.

Within this organizational framework and as a result of the conceived operating model that allows a comprehensive supervision of the urban renewal process, it is possible to collect actionable data and measure the environmental and social performance of interventions, raising awareness on the impact generated by the construction industry and its contribution for a successful "Renovation Wave".

## THE FUTURE: HD'S MISSION AND THE CONDOMINIUM PROTOCOL

Since its foundation, H&D has been committed to innovation and sustainability. Today, H&D's ultimate goal is contributing to urban regeneration by transforming spaces into sustainable, safe and more livable environments, while fostering inclusivity and resiliency in local communities.

**Driven by these principles and 20-year expertise, H&D is ready to propose as the starting base for the development of a "Condominium Protocol" aligned with Building 5.0 framework.** This protocol would draw from the "Superbonus" experience and cater to specific market needs.

A well-designed protocol can ensure investor and financier protection, facilitate the implementation of renovation interventions, and contribute to the achievement of long-term energy sustainability goals. It is crucial that all stakeholders collaborate to develop and implement a protocol that addresses sector challenges and promotes successful energy-efficient renovations.

## THE CONDOMINIUM PROTOCOL: A COMPREHENSIVE SOLUTION

The concept of a **"Condominium Protocol"** thus emerges as a response to the need for assurance and protection for all parties involved in the redevelopment process. To promote residential renovation, it is necessary **to develop a concrete solution that integrates a comprehensive set of services, tools, and guarantees, in line with the objectives and requirements set forth by the European Union.** A "turnkey" solution with a single point of contact responsible for the entire supply chain, ensuring 100% financing of the project costs for up to 10 years, preferably with "zero interest" would be an optimal outcome.

The financing should involve a fixed, transparent installment that remains unchanged over the 10-year period. As a "zero interest" loan, the installment should be clearly defined from the outset, with final confirmation upon signing the financing contract after the bank processes the application and grants approval.

## STRUCTURE OF THE FINANCIAL GUARANTEE SOLUTION

A well-structured protocol must include financial guarantee mechanisms to protect investors and financiers from technological, performance-related, and regulatory risks. This entails defining **criteria for evaluating energy performance and ensuring adequate coverage for renovation costs.** A 10-year financing term could be an effective solution to allow for a fair amortization of costs; the same applies to the companies carrying out the work: they should benefit from a fund that ensures both the advance payment and the completion of the work in what could be described as a "cascade" approach. Specifically:

- All expense management is conducted through an account dedicated to the specific project, with spending authorization delegated exclusively to work carried out by qualified operators.
- Payments to the construction site and the company are released from the account only upon progress milestones and completion of the work, thus ensuring that the condominium finances only certified expenses. This guarantees that the subcontractor of the General Contractor receives their payment according to agreed terms, including performance guarantees.
- The system ensures that all companies involved comply with national contracts, occupational safety regulations, and subcontracting laws.
- This "fund" not only guarantees financing but also offers insurance coverage for civil liability and other specific guarantees for the condominium, such as legal protection.

## INTEGRATION OF STANDARDS AND CERTIFICATIONS

**The protocol should be anchored to standards and certifications recognized at European and international levels.** This includes integrating practices and evaluation criteria aligned with European regulations, such as sustainability criteria and energy efficiency certifications (ESG).

Specifically, to select companies engaged in renovation, it is necessary to verify that they:

- Have a **turnover** between €3M and €5M;
- Have **proven experience** in the construction sector, specifically related to condominiums;
- Comply with the **ESG rating**: ensuring they adopt adequate measures to reduce carbon dioxide emissions and other greenhouse gases; implement resource optimization policies, including the use of renewable energy; respect wage equity, combat discrimination, and uphold workers' rights;
- Maintain **transparent administration,** provide accurate financial information, and adhere to anti-corruption policies and ethical conduct.

The selection of qualified companies ensures compliance and quality assurance in the technical and documentary control of the works, facilitated through agreements with strategic partners committed to performing the following:

- Pre-commissioning;
- Commissioning;
- Preliminary verification that the intervention results in an improvement of at least two energy classes and meets the specific requirements of the project;
- Post-completion evaluation, including the proper functionality of the installed sensors (certification);

- Measurement and monitoring of performance, as well as the reduction of carbon dioxide emissions.

Thanks to documentation management, data coordination, eligibility verification, and administrative assistance services, the operational burden on companies is reduced.

Even a condominium equipped with a data network can become connected, intelligent, secure, and interactive. With the **implementation of Building Automation (BA)** – reinforcing the necessity of engaging only qualified and up-to-date companies – new building performance can be verified. This will significantly contribute to reducing $CO_2$ emissions and allow for analysis and forecasting of consumption.

Furthermore, dedicated dashboards and apps can be used to adopt waste-reduction measures and increase the energy awareness of condominium residents. Additionally, the installation of structural sensors is essential to prevent harm to individuals due to structural failures and ensure the building's value is maintained over time. In the case of catastrophic events, the installed sensors detect the wear and tear of the building and potential post-event dangers.

## MANAGEMENT OF INSURANCE

It is essential that the protocol provides **adequate insurance coverage for renovation interventions.** This insurance must cover at least a significant portion of the renovation costs and ensure protection against potential financial or technical risks. Every document should be verified and guaranteed by a competent legal office and always available to the beneficiary.

The insurance should include:

- Coverage for all potential construction and work execution risks for the entire duration of the project;
- Insurance coverage for the replacement of works during and after the construction phase;
- Legal support for condominium expenses in case of disputes;
- Insurance coverage to protect the process during the bureaucratic handling of the application;
- Insurance coverage to guarantee financing (in case of accidents, death, etc.);
- Insurance coverage for guaranteed minimum savings post-renovation;
- Insurance coverage on the work for each individual job, with validity for ten years after the completion of the work.

Furthermore, **through a dedicated insurance policy, the performance and minimum energy savings previously contracted should be guaranteed.**

The quantification of the energy savings value, expressed in kWh, is calculated and certified by a professional. Although the minimum savings target is 30% to meet the requirements of the taxonomy, the commitment made with the condominium could be much higher. The guaranteed performance will be what the professional has assessed as achievable, usually corresponding to 66% of the expected energy savings. Furthermore, if a 30% savings is contracted and the target is not met, the entire loan installment amount will be refunded, up to a maximum of 18 installments (even non-consecutive), considering a 3-month deductible period necessary to restore the intervention's efficiency.

## CONCLUSION

Adopting a structured and shared protocol for building renovation is not only an opportunity to ensure the achievement of the goals set by EU but also a cornerstone for strengthening trust among investors and financial institutions.

H&D's proposal to the financial community and EEMI is to take into consideration the creation of an **EEMI Label dedicated to condominiums**, which could serve as the basis for a new Green Bond product issued by banks, securitizing all loans granted to condominiums **that comply with the protocol.**

**The "Condominium Protocol" could pave the way for a replicable standard of excellence at the international level, facilitating the path toward an innovative and sustainable future**, also from a financial perspective, for the construction sector.

The renovation of real estate stock offers a unique opportunity to positively impact on the transformation of urban and living spaces, while promoting social integration and creating stronger and more inclusive communities, driven by sustainability.

*The views and opinions expressed in this article are those of the authors and do not necessarily reflect the views or positions of the EMF-ECBC.*

# Growth of the ESG segment for covered bonds continues

By Karsten Rühlmann, Senior Investment Analyst, LBBW

## IN A NUTSHELL:

- **The ESG covered bond market continued on its growth path in 2024.**
- **Developments in the current year were again characterized by numerous debuts.**
- **In addition to the refinancing of energy-efficient buildings, social factors have also increasingly come into focus in the past.**

## INTRODUCTION

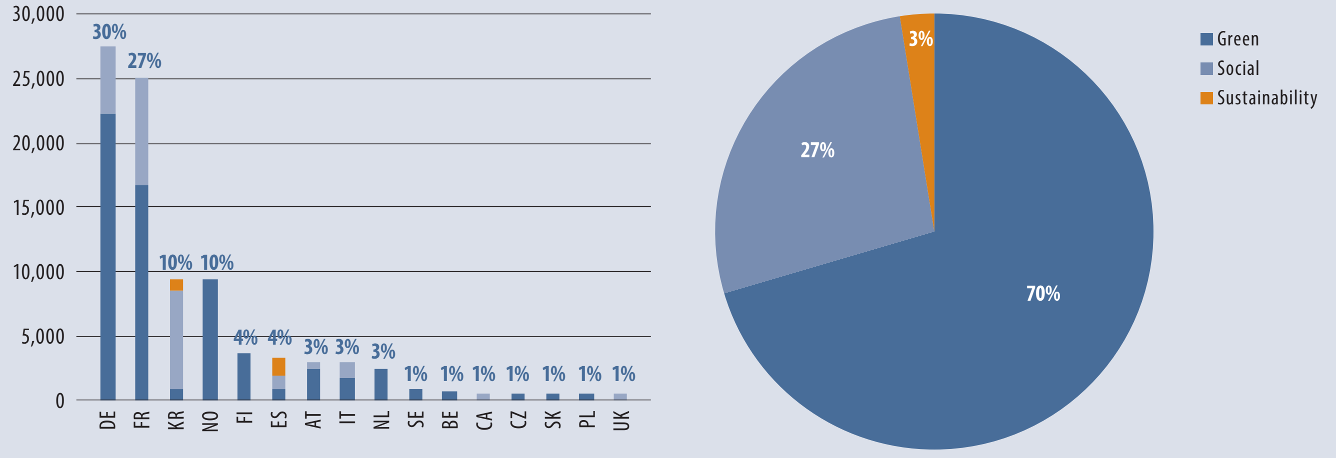
Since the first ESG covered bond issue by Münchener Hypthekenbank in September 2014, the market for sustainable covered bonds has undergone impressive development. Initially there were only a few issuers from a handful of jurisdictions, but ESG investors can now choose from 80 institutions from 20 different countries. As at the end of August 2024, the outstanding ESG covered bond volume converted into EUR amounted to EUR 122 billion. A total of 11 different currencies are available. With a share of EUR 94.4 billion or 77%, the euro clearly dominates as the issuing currency. The highest ESG covered bond volume comes from Germany (EUR 29.4 billion), followed by France (EUR 25.0 billion), Norway (EUR 16.7 billion), Denmark (EUR 13.1 billion) and South Korea (EUR 11.4 billion).

## ESG COVERED BOND MARKET DOMINATED BY EUR BENCHMARK SEGMENT

In the EUR segment, benchmark placements accounted for the majority of issues at EUR 91.4 billion. In relation to the EUR benchmark covered bond market as a whole, the share is currently around 9%. The ESG covered bond segment is thus gradually leaving its niche. The last few years in particular have seen a steady increase in new issuers and jurisdictions. Accordingly, ESG investors specializing in the EUR benchmark format are offered a corresponding diversity with 49 issuers from 16 countries. Most of the institutions come from Germany (11), followed by France (7) and Norway (6). In line with the overall ESG market analysis, German issuers also lead the way in terms of outstanding EUR benchmark volume with a share of 30%, ahead of French (27%) and Korean and Norwegian institutions (10% each). A look at the use of proceeds shows that green covered bonds clearly predominate (70%). Social and sustainability covered bonds account for 27% and 3% respectively.

Green covered bonds are generally used to refinance loans for energy-efficient buildings. In contrast to this, the public sector covered bond

**FIGURE 1 & 2** | OUTSTANDING ESG EUR BENCHMARK COVERED BONDS BY COUNTRY AND USE OF PROCEEDS
VOLUME IN EUR MILLION

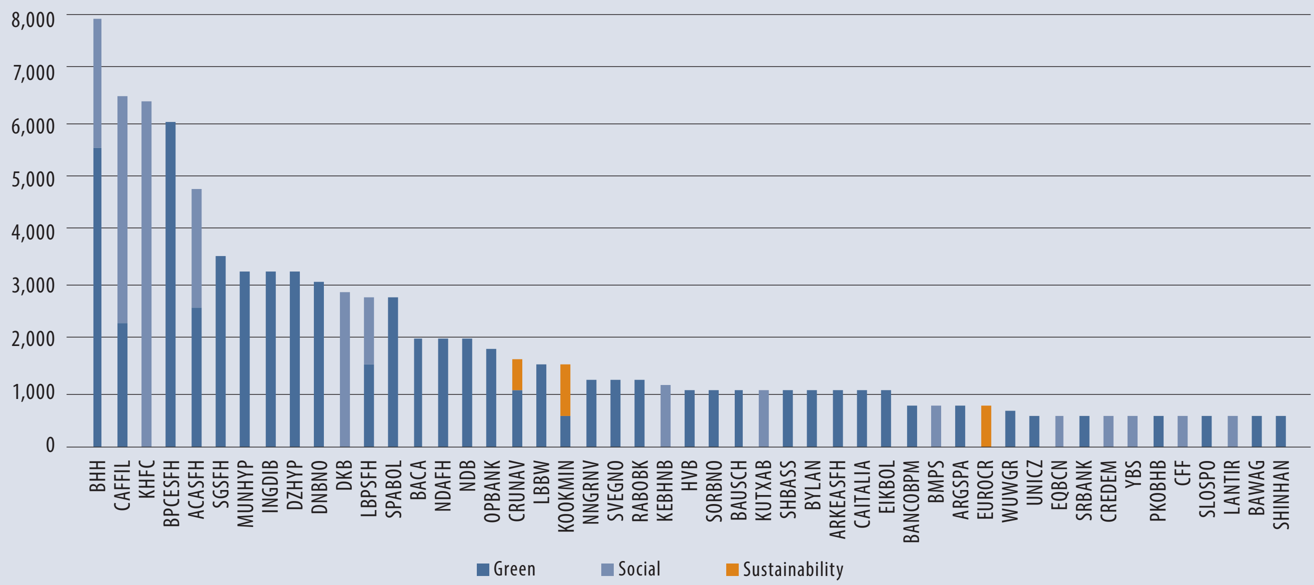



*Sources: informa global markets, LBBW Research* programs of the German Bayern LB and the French CAFFIL stand out. Accordingly, Bayern LB issued its first Green Rail Public Sector Covered Bond in 2022. The proceeds from this flow into the refinancing of loans to the public sector, which are used for projects in the field of electric rail passenger transportation in Germany and Switzerland. The guidelines for the use of funds for CAFFIL's green public sector covered bond can be found in the Green Bond Framework of the parent company SFIL Group. The loans to be refinanced are granted to municipalities or departments, which in turn are used for projects in the following categories, among others: Sustainable transportation, sustainable water supply and disposal, waste management and renewable energies.

Rising housing costs as well as inflationary trends in recent years have contributed to the increasing importance of social covered bonds. Accordingly, the promotion of affordable housing is one of the key use of proceeds of social covered bonds. Other categories include, for example, loans to promote the municipal healthcare system and hospitals; loans to secure public utilities (e.g. municipal water and wastewater companies) or loans to support education and research. Of particular note here are the Public Sector Social Covered Bonds issued by CAFFIL and Deutsche Kreditbank (including the "Blue" Social Covered Bond). In the fall of last year, the French CFF also made its debut with a Social Covered Bond whose use of proceeds include besides social housing also the healthcare sector.

A look at individual issuers in the ESG EUR benchmark covered bond segment shows that Berlin Hyp currently has the highest volume outstanding at EUR 7.8 billion, followed by CAFFIL (EUR 6.5 billion), Korea Housing Finance Corp (EUR 6.4 billion) and the French issuers BPCE SFH (EUR 6.0 billion), Credit Agricole Home Loan SFH (EUR 4.75 billion) and Société Générale SFH (EUR 3.5 billion).

**FIGURE 3** | OUTSTANDING ESG EUR BENCHMARK CBS BY ISSUER AND USE OF PROCEEDS
VOLUME IN EUR MILLION



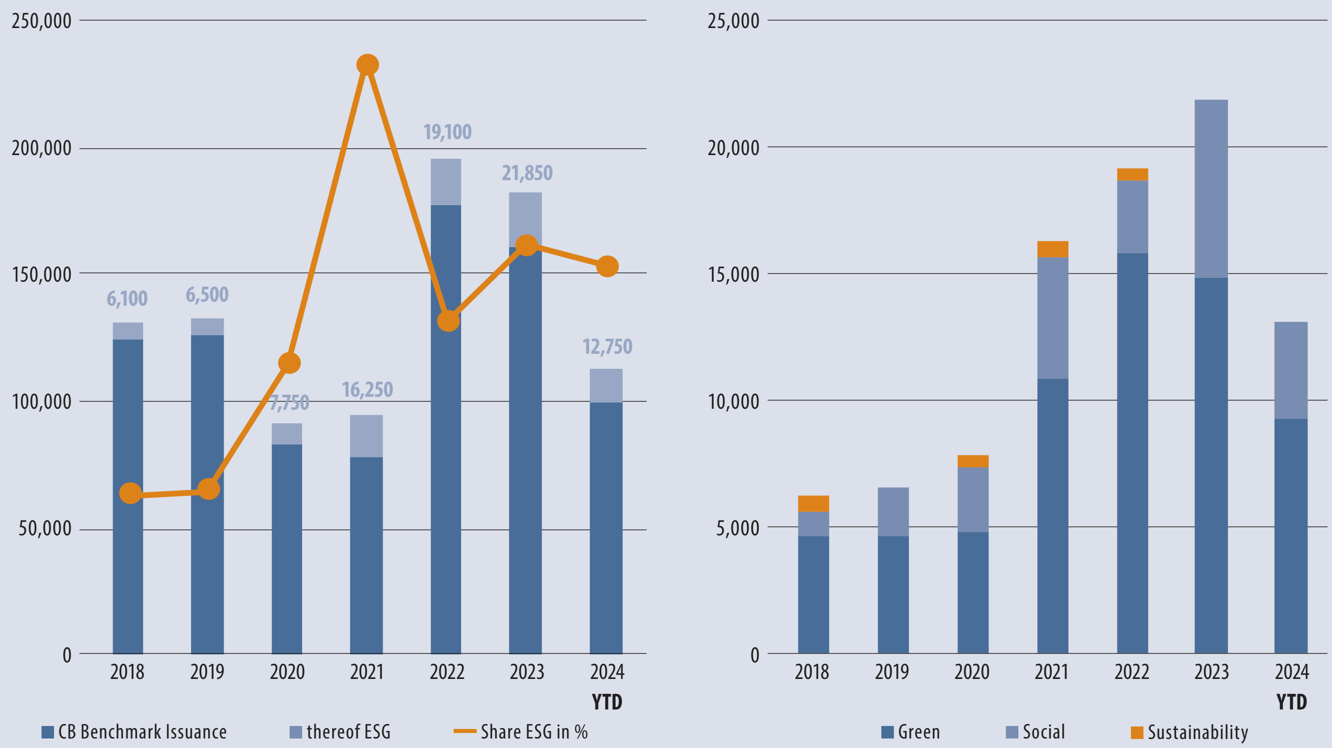

*Sources: informa global markets, LBBW Research*

With a newly issued ESG EUR Benchmark Covered Bond volume of EUR 13 billion, the current primary market year is 24 % behind the previous year (EUR 17.1 billion). In relation to the overall EUR benchmark covered bond segment, however, ESG covered bonds remain largely stable with a share of 11% (FY 2023 ESG share: 12%). For 2024 as a whole, we expect sustainable EUR benchmark covered bond issues totaling EUR 20 billion in the EUR benchmark segment.

At EUR 7.25 billion, the majority of the issues were placed with investors in January. The first month of the year is traditionally the strongest month for issuances. In this environment, issuers are likely to have used the ESG feature to ensure greater placement security. German issuers led the field with EUR 4.25 billion, followed by French (EUR 4.0 billion), Italian (EUR 1.75 billion) and Korean institutions (EUR 1.0 billion). Compared to the previous year, the proportion of green covered bonds (71% or EUR 9.25 billion) appears to be slightly higher again (FY 2023: 68%). The remainder is accounted for by social covered bonds.

The field of issuers has also expanded in 2024 to date with six ESG debuts. For example, the German building society Schwäbisch Hall, the Korean Shinhan Bank and the Belgian Argenta Spaarbank presented green covered bonds to investors for the first time. Social covered bond debuts came from Italy (Credito Emiliano, Banca Monte dei Paschi di Siena) and Canada (Equitable Bank). The Argenta Spaarbank and Equitable Bank transactions were also the first ESG covered bond issues from Belgium and Canada respectively.

**FIGURE 4 & 5** | ESG EUR BENCHMARK CB NEW ISSUES: SHARE OF TOTAL MARKET AND USE OF PROCEEDS
VOLUME IN EUR MILLION




*Sources: informa global markets, LBBW Research*

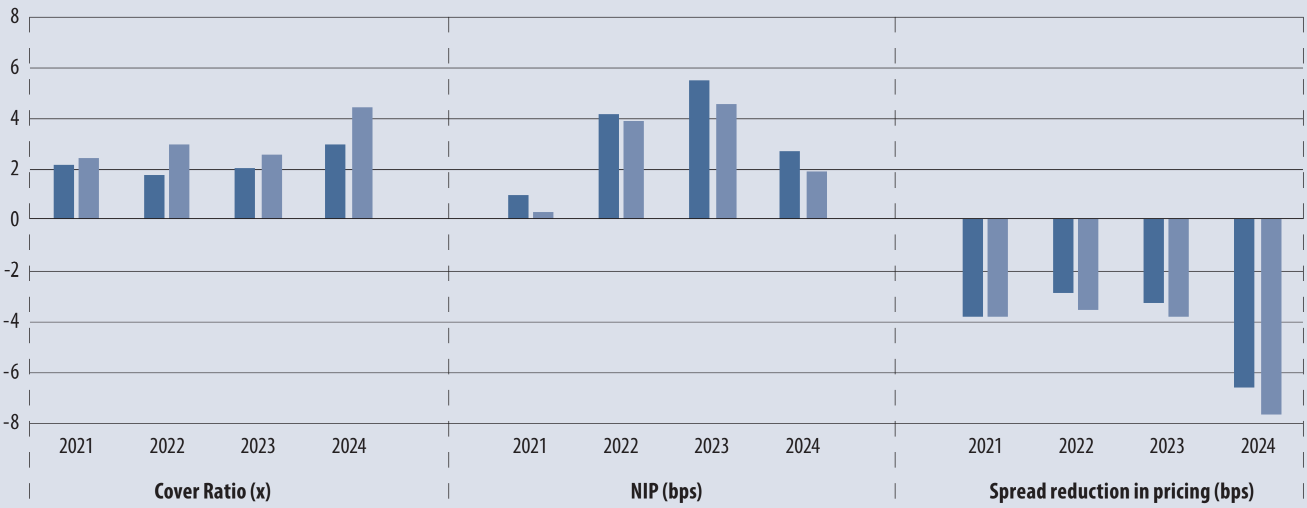
The basis for issuing ESG covered bonds is usually the respective ICMA process guidelines. With the EU Green Bond Standard, a new (voluntary) European standard for green bonds was finally adopted at the end of February 2023. This will come into force on December 21, 2024, meaning that the first EU Green Bond issues will theoretically be possible from this date. The EU Green Bond Standard is intended to be the new "gold standard" for green bonds. The main difference between the EU standard and the ICMA guidelines is the direct link between the use of proceeds and taxonomy-compliant economic activities. A uniform EU standard creates more transparency for investors and issuers, which should contribute to further growth in the green covered bond market. It can already be observed today that covered bond issuers are revising their green bond frameworks with a view to future taxonomy conformity. In Germany, the Association of German Pfandbrief Banks (vdp) also updated its minimum standards for Green Pfandbriefe. As part of this, the requirements for green cover assets were adjusted further in the direction of the EU taxonomy. However, due to the complexity of the EU taxonomy and the lack of a critical mass of taxonomy-compliant cover assets, we believe that the first EU Green Covered Bond is likely to be a while in coming. Until then, green issues will continue to be made on the basis of the existing ESG standards.

In our view, the steadily increasing number of ESG covered bond issuers should maintain the growth of the ESG segment. The limiting factor continues to be the limited ESG assets, which generally serve as a benchmark for further issues. Issuers also base their considerations here on the current funding levels (senior vs. covered funding) and the funding advantages to be achieved ("greenium").

In principle, ESG covered bonds do not differ from conventional covered bonds in terms of the security of the investment and the risk profile, as there is no specific allocation of the sustainable cover assets to the respective ESG covered bond. A significant price differentiation between comparable bonds is therefore unlikely to be observed from a credit perspective. Price differences can nevertheless arise, partly due to the broader investor base of ESG covered bonds compared to their conventional counterparts. However, an analysis of the spread differences between ESG covered bonds and conventional covered bonds still does not show a uniform picture. If a greenium or a premium for social or sustainability covered bonds is discernible, this advantage lies in a range of around 1 to 3 basis points.

On the primary market, however, the advantages of ESG covered bonds are more tangible. On average, sustainable covered bonds benefit from a larger order book – measured by the cover ratio – which reduces placement risks for issuers and should provide support on the secondary market. Investor demand for ESG covered bonds is in some ways more "sustainable". With regard to the new issue premium and the narrowing during the pricing process between IPT and the final pricing, there is also a slight advantage for ESG covered bonds.

**FIGURE 6** | ESG EUR BENCHMARK COVERED BONDS ON THE PRIMARY MARKET
COVER RATIO X-FOLD, NIP AND SPREAD DECLINE IN BPS




*Sources: informa global markets, LBBW Research*

## DISCLAIMER

***Please note:***

*This publication is intended exclusively for recipients in the EU, Switzerland and Liechtenstein.*

*This publication is not being distributed by LBBW to persons in the United States and LBBW does not intend to address persons in the United States.*

*Supervisory authorities of LBBW: European Central Bank (ECB), Sonnemannstrasse 22, 60314 Frankfurt am Main and Federal Fi-nancial Supervisory Authority (BaFin), Graurheindorfer Str. 108, 53117 Bonn / Marie-Curie-Str. 24-28, 60439 Frankfurt.*

*This publication is based on generally accessible sources that we consider to be reliable but whose accuracy and completeness we cannot guarantee. It reflects our non-binding view of the market and the products at the time of going to press, irrespective of any proprietary holdings in these products. This publication is not a substitute for personal advice. It is for information purposes only and does not constitute an offer or solicitation to buy or sell. For more timely information on specific investment opportunities and for in-dividual investment advice, please contact your investment advisor.*

*We reserve the right to change our opinion expressed here at any time and without prior notice. Furthermore, we reserve the right not to update this information or to discontinue it completely without further notice.*

*The past performance, simulations or forecasts shown or described in this report are not a reliable indicator of future performance.*

*The acceptance of research services by an investment services company may qualify as a benefit under supervisory law. In these cases, LBBW assumes that the grant is intended to improve the quality of the respective service for the customer of the grant recip-ient*

*THIS DOCUMENT IS A TRANSLATION OF Blickpunkt "Wachstum des ESG Segments bei Covered Bonds hält an", ORIGINAL PUBLICATION DATE: 23.08.2024. THE TRANSLATION HAS BEEN MADE FOR CONVENIENCE ONLY WITH THE GERMAN ORIGINAL ALWAYS PREVAILING IN ALL RESPECTS, ESPECIALLY IN CASE OF POTENTIAL DISCREPANCIES RESULT-ING FROM THE TRANSLATION.*

*The views and opinions expressed in this article are those of the authors and do not necessarily reflect the views or positions of the EMF-ECBC.*

# The (brave) new world of spreads: where does the covered bond market stand?

NORD/LB

By Julien Marchand; NORD/LB; Debt Capital Markets; Head of Origination FI/SSA
Frederik Kunze; NORD/LB; Floor Research; Floor Analyst Covered Bonds/Financials

## REPRICING COMPLETED – THE NEXT STEP IS TO MASTER EPISODES OF CHOPPY WATERS

Looking back, the global covered bond market was also unable to escape the long phase of repricing, which has been largely fuelled or supported by the turnaround in interest rates and the end of the Eurosystem's quantitative easing. In principle, the widening of spreads for the covered funding of financial institutions took place across the entire range of maturities and jurisdictions. Nevertheless, for some jurisdictions the spreads were relatively robust, particularly at the beginning of the widening movement – i.e. repricing was less pronounced than for covered bonds from other jurisdictions. This was especially the case for German Pfandbriefe and may be explained not least by the combination of a large investor base in Germany in conjunction with a "home bias" that is also common in other covered bond jurisdictions. The fact that the wind can change relatively quickly was then impressively demonstrated by the example of Pfandbriefe again. This was revealed in particular by the public debate both with regard to the risks relating to commercial property financing as a whole and the challenges that may arise for Pfandbriefe as a result. Together with a general shift on the demand side this has triggered a Pfandbrief "catch-up process" with regard to spread widening. Abstracting from the Pfandbrief segment, it can be stated for the covered bond market as a whole, that this period of repricing was largely completed in the first half of 2024. At the end of the first quarter, it was, in fact, even possible to observe in some jurisdictions that comparable deals could be priced much tighter than in January. Additionally, performance on the secondary market was also impressive for some of the newly placed bonds. In fact, until well into July, a view that the covered bond market had reached the end of the repricing process did not really seem far-fetched to us. A combination of geopolitical tensions and fears of recession with regard to the global economy were the source of renewed shockwaves on the international financial markets shortly before the end of the summer break. The fixed income segment did not remain unaffected. The initial resilience of covered bond spreads did not really come as a surprise to us. Overall, however, the forecasting risk for spread developments is also increasing for covered bonds and therefore also the planning uncertainty for issuers and investors. How will the covered bond fare in this brave new spread world?

## A LOOK AT THE PRIMARY MARKET…

The start into 2024 initially followed the usual pattern, with high issuance volume within the first trading days. As a result, the new issue premiums, i.e. the spread pick-up versus comparable outstanding covered bonds, also increased. The demand side was robust overall, which was also reflected in the bid-to- cover ratio (B/C ratio) in the covered bond segment. These are currently still at a high level in a long-term comparison, although they have recently declined somewhat. Even though we consider this figure, in combination with the new issue premium, as one of the key indicators on the primary market, it's still vulnerable to factors like the issue size of the individual transactions. Nevertheless, the trend in oversubscription level supports the view that investor demand on the primary market is encouragingly robust. This is further emphasised by the observed narrowing of the respective issue spreads during the marketing phase of the new deals.

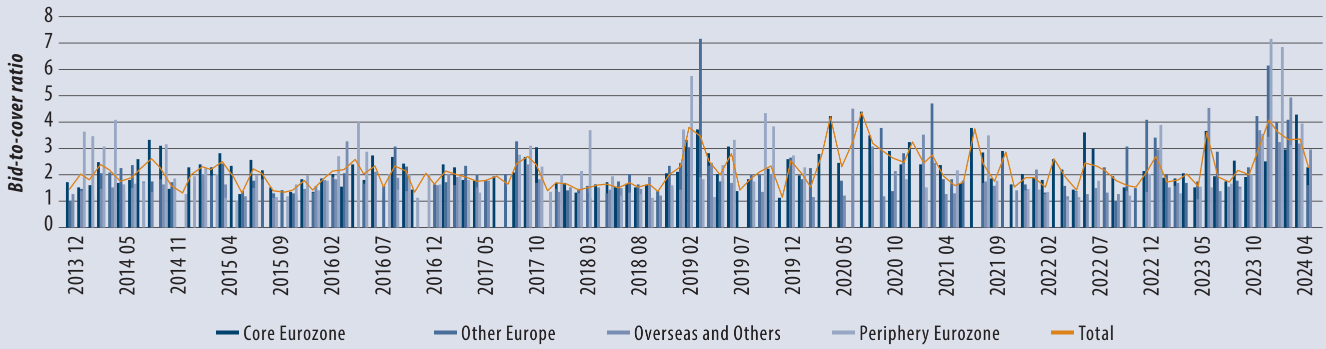
## … WERE THE INVESTORS NOT GREEDY ENOUGH?

For example, a tightening of more than five basis points compared to the guidance was frequently realised for new issues during final pricing. In combination with the low new issue premiums and the largely good performance of recent issues in the secondary market, we almost come to the conclusion that investors could be too frugal here. However, this view would be too one-dimensional. After all, there is no single "class" of covered bond investors. Rather, there is an increasingly heterogeneous group of investors for whom covered bonds represent an investment opportunity.

## RELATIVE VALUE ASPECTS FOR COVERED BONDS ALSO DECISIVE FOR DEMAND ON THE PRIMARY MARKET

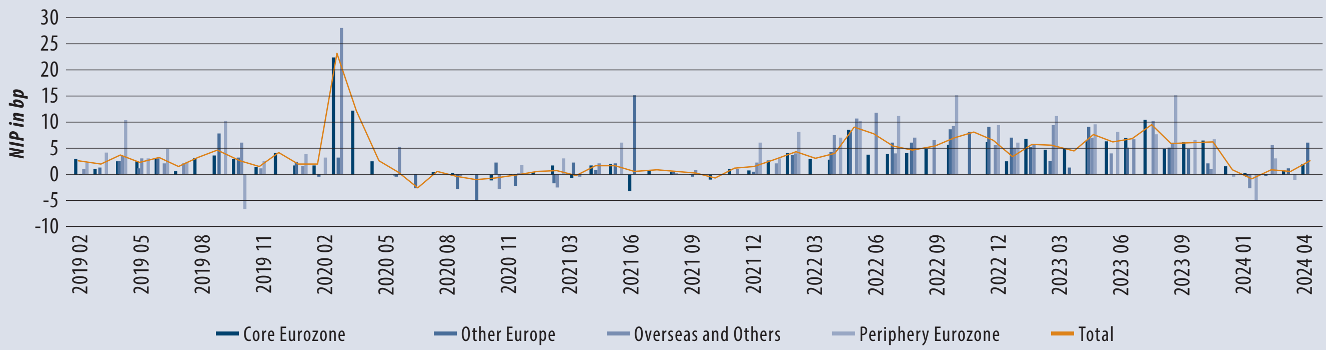
In our view, investment strategies that also take into account the relative attractiveness of covered bonds compared to rates products or credits – we are thinking here primarily of government bonds, SSA bonds, senior unsecured bonds or corporate bonds – are becoming increasingly important. In the recent past, the spread differences in the fixed income universe were largely levelled out during the phase of ultra-expansive monetary policy and

**PRIMARY MARKET EUR BMK** BID-TO-COVER-RATIOS




*Source: market data, NORD/LB Floor Research*

**PRIMARY MARKET EUR BMK** NIP



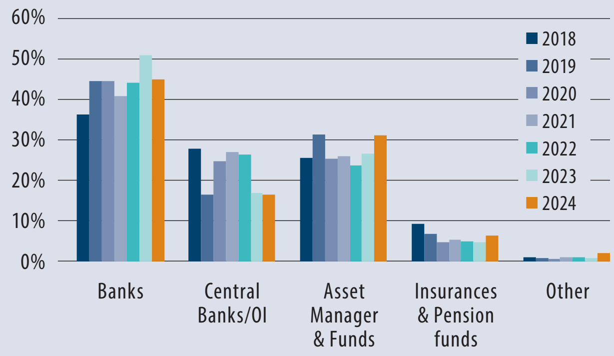

*Source: market data, NORD/LB Floor Research*

quantitative easing. Relative value strategies offered no real added value from the perspective of many investors, while regulatory considerations came to the fore and investment decisions focussing more on absolute returns were scaled back. However, these kind of market distortions disappeared and even the ECB and Eurosystem abandoned their primary purchases. What had already become apparent in the course of 2023 materialised in greater form in the first weeks and months of trading: The relative attractiveness of covered bonds, especially compared to unsecured bonds, attracted new demand in the form of real money investors. In addition, the covered bond product continued to be attractive compared to the debt instruments of public issuers. While the spread premium was in the foreground compared to the public issuer/SSA universe, the "comparable" levels were more important for credits, which, however, offered and in some cases still offering higher security with the dual recourse product covered bonds. This structural change on the demand side of the primary covered bond market is also evident when looking at the allocation distribution of newly placed deals in the EUR benchmark segment (see charts below).

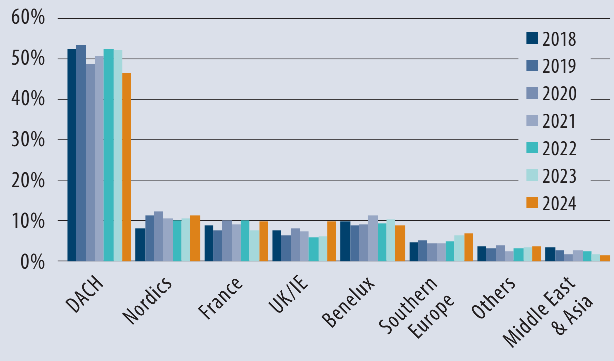
## WHAT DROVE COVERED BOND SPREADS LATELY?

With regard to spread development, it can therefore be stated that the general repricing in conjunction with the new interest rate environment has led to a reshuffling on the demand side. Analysing the supply side is also part of

**PRIMARY MARKET EUR BMK** INVESTOR DISTRIBUTION




**PRIMARY MARKET EUR BMK** DISTRIBUTION BY REGION



the technical market analysis in the covered bond segment. It is more than obvious that covered refinancing continues to play a very important role for a large number of issuers. This is also due to considerations relating to the issue spread but can also be explained by the characteristics of covered bonds as a funding instrument in volatile or uncertain market phases. Not least for this reason, we expect a positive net supply in the EUR benchmark segment for 2024 as a whole, which in itself should exert a certain amount of pressure on covered bond spreads. The fact that fundamental aspects should not be ignored as a second explanatory variable for the spread trend is demonstrated by the debate in the context of the uncertainties surrounding the international commercial property markets. However, the observed widening of spreads – particularly for Pfandbriefe – is rather based on credit related risk factors of the issuing institutions than on the composition of the "affected" cover pools. In fact, the boundary to general or specific market sentiment, as the third influencing variable on spreads, is blurred here. And here the "headlines" often influence investor behaviour. It is always important to differentiate: For example, some investors have been ruling out investments in covered bonds with high CRE ratios in the cover pool for a long time, whereas other market participants have only recently begun to be more restrictive. In our opinion, this development also explains the observed relative pricing of Pfandbriefe compared to covered bonds from other jurisdictions. This applies to both the primary and secondary market. In some maturity buckets, the ASW spreads of Dutch covered bonds are even trading inside of Pfandbriefe. On the primary market, for example, one or two Norwegians were able to place fresh deals at very tight levels compared to prime Pfandbrief issuers. We have observed a similar situation for issues from the Netherlands. In our view, the increased focus on fundamental factors at issuer level was a supportive factor. In addition to the rating at senior level, the assessment of the business model and the profitability of the institutions should also be considered here. However, it is also evident that the performance potential here was limited.

## COVERED BOND OFFER: WHAT TO EXPECT IN H2 2024 AND BEYOND?

As a result of weighing up the three factors (1. net supply, 2. fundamentals and 3. sentiment), we expect only a modest widening of spreads for the remainder of the year. We do not consider it premature to describe the repricing cycle as largely completed. However, this does not mean that a sideways movement across all maturities and jurisdictions can be considered certain for the coming months. On the primary market, specific factors such as scarcity effects at issuer and/or jurisdiction level as well as saturation effects – for example with regard to maturities – are likely to become more relevant for pricing.

For 2024 as a whole, we expect issues totalling EUR 171.5 bn. With maturities of EUR 111.4 bn, this results in net new supply of EUR 60.1 bn. In the first half of the year, fresh issues totalling EUR 106 bn (excluding floaters) were placed on the market, meaning that, based on our supply forecast, EUR 65 bn should still be issued in the remaining trading months of 2024. France and Germany are once again likely to be the main supply drivers on the primary market. However, Austria and Canada should also have a significant impact on the primary market in the second half of the year.

## CONCLUSION: WHAT CAN WE SAY ABOUT SPREADS?

After the development of spreads on the global covered bond market was characterised by a long phase of distortion due to the ECB's monetary policy, a mix of relative value considerations and episodes of changed market sentiment have dominated events in recent months. New and old real money investors have largely turned to the primary market for EUR benchmarks and issuers have increasingly focussed on the longer maturity segments. We expect 2024 to be another year of growth for the EUR benchmark segment, with net new supply totalling EUR 60 bn. Now, the question arises how the covered bond market will fare in this brave new world of spreads. In terms of forecasting, individual factors and characteristics at jurisdiction and issuer level are likely to have a stronger influence than in the "monocausal" world of drastic ECB distortions. Nevertheless, the decision-makers of the ECB Governing Council are – more or less unintentionally – retaining their influence on the spread structure on the covered bond market even at the current margin. After all, the hawkish "interest rate turnaround" decided at the beginning of June is having an impact on the formation of expectations on the interest rate markets, which is also likely to characterise the covered bond segment on both the demand and supply side. More recently, uncertainty made its way back into the headlines. This may help covered bonds in many ways. Regarding the brave new world of covered bond spreads, sentiment may, however, gain more influence for some time.

> *Can you say something about nothing? That's what it finally boils down to. I try and I try…*
>
> *(Aldous Huxley, Brave New World)*

# Palácio da Bolsa

In the historic centre of Porto, the Palácio da Bolsa or Stock Exchange Palace, is not only the city's crowning jewel but World Heritage as well. The building is classified as a national monument and is the headquarters of the Associação Comercial do Porto. It was built in the second half of the XIX century.

It is neoclassical in style and some of the biggest names in Portuguese architecture were involved in the different stages of construction, including Marques da Silva and Tomas Soller. Painting and sculpture involved figures such as Veloso Salgado, Teixeira Lopes and Soares dos Reis.

Many famous personalities of the XIX, XX and XXI centuries have graced the Palácio da Bolsa. Monarchs, Presidents and numerous world leaders have all walked its hallways.

The elegance and diversity of the interior also ensures that the Palácio da Bolsa is one of north's most visited monuments.

The Palácio da Bolsa is one of the most privileged venues for holding political, economic, cultural and social events – from ceremonies to conferences and exhibitions to concerts, congresses and parties. Providing excellent conditions, the Palace stages most of northern Portugal's official receptions and its many rooms mean that it is highly versatile and able to hold a wide range of events.

The Palácio da Bolsa also provides professional catering and decor services and state-of-the art audiovisual and technological solutions.

*Text from the brochure "PALÁCIO DA BOLSA, Monumento nacional e património mundial, https://palaciodabolsa.com/*

ECBC

EUROPEAN COVERED BOND COUNCIL

**35TH ECBC PLENARY MEETING**

Porto, Portugal | 11 September 2024