

FOREWORD

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.

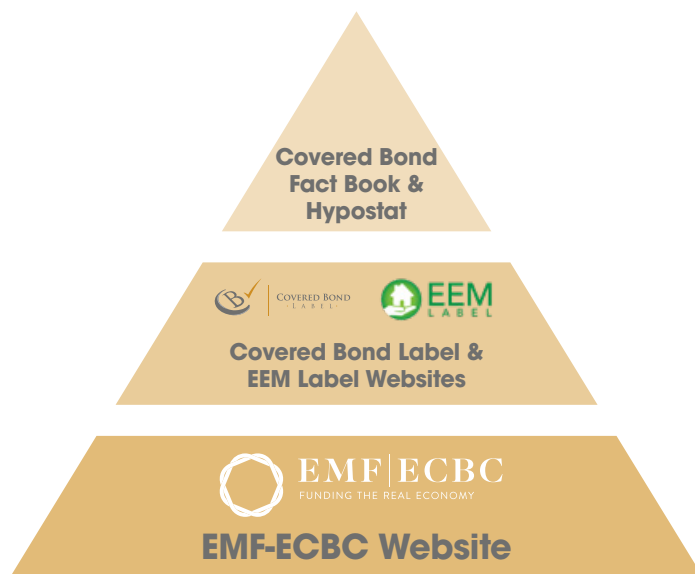
More importantly, beyond the purely financial aspects, for most jurisdictions the introduction of covered bonds has also resulted in the provision of more affordable mortgages, more funding choices for lenders and more long-term borrowing options for consumers when they make the biggest investment of 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 Label¹, has become a qualitative benchmark as an informative gateway into the covered bond space.

Most recently, the ECBC has completely refreshed its Comparative Database² 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 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 Label³ 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 website⁶ through which the EMF-ECBC provides access to all position papers, studies and analysis produced by its technical committees and working

1 www.coveredbondlabel.com

2 <https://compare.coveredbondlabel.com>

3 www.coveredbondlabel.com

4 www.energyefficientmortgages.eu

5 www.energy-efficient-mortgage-label.org

6 <https://hypo.org>

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.